

FY 2014-15: DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS



Summary: As Passed by the House Article XIII, House Bill 5313 (H-1) as Amended

Analyst: Paul Holland

	FY 2013-14 YTD as of 2/5/14	FY 2014-15 Executive	FY 2014-15 House	FY 2014-15 Senate	FY 2014-15 Enacted	Difference: House From FY 2013-14 YTD	
						Amount	%
IDG/IDT	\$14,228,200	\$14,509,800	\$14,509,800			\$281,600	2.0
Federal	195,559,900	199,124,800	200,624,800			5,064,900	2.6
Local	656,500	656,500	656,500			0	0.0
Private	2,011,800	2,311,800	1,811,800			(200,000)	(9.9)
Restricted	265,457,400	290,224,100	288,168,200			22,710,800	8.6
GF/GP	25,004,900	25,033,800	22,217,200			(2,787,700)	(11.1)
Gross	\$502,918,700	\$531,860,800	\$527,988,300			\$25,069,600	5.0
FTEs	2,970.5	2,978.5	2,978.5			8.0	0.3

Notes: (1) FY 2013-14 year-to-date figures include mid-year budget adjustments through February 5, 2014. (2) Executive figures do not reflect revisions submitted subsequent to House subcommittee action. (3) 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 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 provider and facility, 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.

<u>Major Budget Changes From FY 2013-14 YTD Appropriations</u>		<u>FY 2013-14 Year-to-Date (as of 2/5/14)</u>	<u>FY 2014-15 House Change</u>
1. Unemployment Insurance Agency - Customer Service (One-Time)	Gross	N/A	\$18,000,000
<u>Executive</u> includes one-time spending authorization to maintain customer services at the Unemployment Insurance Agency (UIA), supported with revenue from the Penalty and Interest Account of the Contingent Fund in which penalties, damages, and interest collected from employers and claimants are deposited. The UIA anticipates that process improvement efforts will enable it to operate within existing federal grant funding by the end of FY 2014-15. In August of 2012, due to the decline in the state's Insured Unemployment Rate during 2012, the federal government reduced the amount of administration grants to the UIA by \$37.2 million, resulting in 402 FTEs being laid-off. The Legislature approved a contingency transfer authorizing \$5.0 million from the Fund to support the maintenance of UIA operations during FY 2012-13. LARA anticipates a similar transfer request for FY 2013-14 dependent upon the level of quarterly supplemental federal grants allocated to the UIA during the year. <u>House</u> concurs.	Restricted	N/A	18,000,000
2. Unemployment Insurance Agency - Mobile Application (One-Time)	Gross	N/A	\$0
<u>Executive</u> includes one-time spending authorization (\$2.4 million) to develop a mobile device application which will facilitate the remote filing of unemployment insurance claims, supported with revenue from the Penalty and Interest Account of the Contingent Fund. <u>House</u> rejects based on request from LARA.	Restricted	N/A	0

		FY 2013-14 Year-to-Date (as of 2/5/14)	FY 2014-15 House Change
Major Budget Changes From FY 2013-14 YTD Appropriations			
3. Bureau of Construction Codes			
<u>Executive</u> increases spending authorization for the Bureau of Construction Code (BCC), supported with revenue from the Construction Code Fund, subsequent to a \$5.8 million decrease in spending authorization in the FY 2013-14 budget; approximately \$350,000 to maintain current operations which includes expanded permitting activities as part of the effort to remediate blight in Detroit, and approximately \$650,000 to support annual costs of replacing BCC's online permitting/licensing system. <u>House</u> concurs.	FTE	104.7	0.0
	Gross	\$8,933,700	\$1,066,300
	Restricted	8,933,700	1,066,300
4. Elevator Inspection Program			
<u>Executive</u> increases spending authorization and staff, supported with revenue from the Elevator Safety Fund, to hire an additional two elevator inspectors to address elevator inspection backlog resulting in approximately 30% of annual elevator inspections overdue in FY 2012-13 (approximately \$224,000) and fund the Elevator Division's portion of the replacement of the BCC's online permitting/licensing system (approximately \$476,000). <u>House</u> concurs.	FTE	30.0	2.0
	Gross	\$3,645,700	\$700,000
	Restricted	3,645,700	700,000
5. Health Systems Regulation			
<u>Executive</u> increases spending authorization, supported with federal Title XIX reimbursements, for the Bureau of Health Care Services (BHCS) to perform surveys (i.e. inspections) of long-term care facilities (e.g. nursing homes) in order to issue certifications required for eligibility to provide medical and custodial care of Medicaid-enrollees. <u>House</u> concurs.	FTE	211.4	0.0
	Gross	\$27,825,600	\$700,000
	Federal	18,519,900	700,000
	Private	200,000	0
	Restricted	3,300,200	0
	GF/GP	\$5,805,500	\$0
	Gross	\$10,007,300	\$1,275,000
	Federal	4,328,200	1,275,000
	Restricted	5,374,900	0
	GF/GP	\$304,200	\$0
6. Property Management			
<u>Executive</u> increases spending authorization, supported with federal unemployment insurance administration grants, for DTMB property management charges for the "One Division" facility in Grand Rapids, resultant from a FY 2013-14 reduction for UIA property management which was not realized. <u>House</u> concurs.	FTE	87.0	0.0
	Gross	\$8,725,000	\$0
	Federal	1,659,000	0
	Restricted	7,066,000	0
	GF/GP	\$0	\$0
7. Administrative Services			
<u>Executive</u> increases GF/GP spending authorization to offset expenditures made by the Financial and Administrative Services Team within LARA since FY 2011-12 for the Reinventing Performance in Michigan (RPM) initiative; statewide regulatory process improvement efforts designed to improve customer satisfaction, shorten customer response time, reduce redundant forms, and ensure customer-facing materials are utilized. <u>House</u> rejects.	Gross	\$200,000	\$0
	Private	200,000	0
8. Special Project Advances			
<u>Executive</u> increases spending authorization enabling LARA to expend registration fees collected from attendees of the LARA-sponsored biennial "Joint Provided and Surveyor Training" events for long-term care staff and regulators pursuant to the Public Health Code. <u>House</u> rejects; see #17.	FTE	87.0	0.0
	Gross	\$8,725,000	\$150,000
	IDG/IDT	0	150,000
	Federal	1,659,000	0
	Restricted	7,066,000	0
	GF/GP	\$0	\$0
9. Administrative Services			
<u>Executive</u> increases spending authorization, supported with an IDG from the Department of Insurance and Financial Services (DIFS), for accounting services provided to DIFS by the Financial and Administrative Services Team within LARA. <u>House</u> concurs.	Gross	\$820,000	\$1,000,000
	Restricted	820,000	0
	GF/GP	\$0	\$1,000,000
10. Compensation Supplement Fund			
<u>Executive</u> increases in GF/GP spending authorization for the Compensation Supplement Fund administered under the Workers' Compensation Agency (WCA) to support reimbursements to self-insured entities that no longer receive a MBT tax credit which was repealed by 2011 PA 39. Equivalent FY 2012-13 supplemental appropriation was enacted by 2013 PA 102 and equivalent supplemental request for FY 2013-14 has been issued by SBO. <u>House</u> concurs.	Gross	\$820,000	\$1,000,000
	Restricted	820,000	0
	GF/GP	\$0	\$1,000,000

<u>Major Budget Changes From FY 2013-14 YTD Appropriations</u>		FY 2013-14 Year-to-Date (as of 2/5/14)	FY 2014-15 House Change
11. Michigan Administrative Hearing System	FTE	209.0	0.0
<u>Executive</u> decreases spending authorization, supported with an IDG from the Department of Environmental Quality (DEQ), to more accurately reflect anticipated administrative hearing caseload from DEQ for the Michigan Administrative Hearing System (MAHS). <u>House</u> concurs.	Gross	\$38,803,900	(\$236,300)
	IDG/IDT	14,128,200	(236,300)
	Federal	9,154,300	0
	Restricted	12,508,700	0
	GF/GP	\$1,012,700	\$0
12. Michigan Administrative Hearing System	FTE	209.0	6.0
<u>Executive</u> increases spending authorization and staff, supported by 50/50 state/federal match, for the Michigan Administrative Hearing System (MAHS) to support an anticipated escalation in administrative hearings engender by an estimated 35% increase in the Medicaid caseload under the Healthy Michigan Plan (i.e. Medicaid Expansion/Reform). To illustrate context, during FY 2012-13, MAHS opened 23,539, heard 6,213, and closed 24,031 administrative hearings pertaining to Medicaid eligibility and benefits. <u>House</u> concurs.	Gross	\$36,803,900	\$900,000
	IDG/IDT	14,128,200	0
	Federal	9,154,300	450,000
	Restricted	12,508,700	0
	GF/GP	\$1,012,700	\$450,000
13. Liquor Control Commission IT Upgrades (One-Time)	Gross	\$2,000,000	(\$1,500,000)
<u>Executive</u> transfers spending authorization (\$2.0 million) for replacement of the Liquor Control Commission's (LCC) COBOL-based information technology system, supported with revenue from state wholesale liquor sales, from ongoing baseline to a one-time appropriation, eliminating funding in subsequent fiscal years. <u>House</u> concurs in part, but subsequently reduces amount transferred based on amount stipulated in DTMB project budget.	Restricted	2,000,000	(1,500,000)
14. Nursing Home Survey IT System	Gross	\$2,140,300	(\$2,140,300)
<u>Executive</u> eliminates one-time GF/GP spending authorization for upgrades to the information technology system utilized by nursing home surveyors within the Bureau of Health Care Services (BHCS). <u>House</u> concurs.	GF/GP	\$2,140,300	(\$2,140,300)
15. Fund Shifts (Multiple Line Items)	Gross	\$4,217,400	\$0
<u>Executive</u> incorporates numerous fund shifts within various line items between fund sources that net out to zero gross, though they may alter the types of fund sources, reflecting changes in the availability and allocation of funds to more accurately reflect program administration. <u>House</u> concurs in part, but includes additional fund shifts to reverse portions (\$2.1 million) of the GF/GP offsets for veteran fee exemptions included in the FY 2013-14 budget to bring the amounts offset in-line with actual revenue loss.	Federal	555,000	(293,000)
	Restricted	1,545,700	2,409,700
	GF/GP	\$2,116,700	(\$2,116,700)
16. Economic Adjustments (Multiple Line Items)	Gross	N/A	\$4,127,400
<u>Executive</u> increases and decreases spending authorization, resulting in a net increase, 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. <u>House</u> concurs.	IDG/IDT	N/A	367,900
	Federal	N/A	1,432,900
	Restricted	N/A	2,307,400
	GF/GP	N/A	\$19,200
17. Special Project Advances	Gross	\$200,000	(\$200,000)
<u>House</u> eliminates spending authorization and line item for Special Project Advances and transfers pass-through spending authorization to boilerplate Sec. 241. (See boilerplate Sec. 241.)	Private	200,000	(200,000)
18. Public Service Commission	FTE	193.0	0.0
<u>House</u> eliminates the appropriation from the Children's Protection Registry Fund which is transferred from the Public Service Commission (PSC) to the Department of State by Executive Order 2014-5. The Fund is created by the Children's Protection Registry Act of 2004, enacted to prevent minors from receiving messages about products or services which are prohibited for minors to purchase or view, and is supported by fees paid by entities sending messages pertaining to products or services prohibited for minors.	Gross	\$30,597,100	(\$272,600)
	Federal	1,245,400	0
	Restricted	29,351,700	(272,600)

Major Budget Changes From FY 2013-14 YTD Appropriations		FY 2013-14 Year-to-Date (as of 2/5/14)	FY 2014-15 House Change
19. Bureau of Services for Blind Persons	FTE	113.0	0.0
<u>House</u> increases federal spending authorization for the Bureau of Services for Blind Persons (BSBP), subsequent to a \$3.4 million decrease in spending authorization in the FY 2013-14 budget, to enable the BSBP to expend grants awarded by the U.S. Department of Education for BSBP operations.	Gross	\$23,725,200	\$1,500,000
	Federal	17,133,400	1,500,000
	Local	529,000	0
	Private	111,800	0
	Restricted	562,000	0
	GF/GP	\$5,389,000	\$0
	Gross	\$1,000,000	(\$1,000,000)
20. Fireworks Safety Grants	Restricted	1,000,000	(1,000,000)
<u>House</u> eliminates spending authorization and line item for Fireworks Safety Grants due to amendments made by 2013 PA 65 to the Michigan Fireworks Safety Act of 2011 which altered the statutory restrictions on revenues collected under the Act thereby redirecting the funding (to firefighter training) which would have supported the fireworks safety grants. (See boilerplate Sec. 305.)			
	Gross	N/A	\$1,000,000
21. Firefighter Training Grants	Restricted	N/A	1,000,000
<u>House</u> includes spending authorization and a new line item for Firefighter Training Grants administered by the Firefighters Training Council to local fire departments for the training of firefighters (i.e. supports compensation for training instructors, purchase of training equipment, and examination of firefighters). Pursuant to 2013 PA 65, revenue generated by fireworks safety fees (approximately 6.0% of gross income generated by the retail sale of all fireworks) is restricted for expenditure on firefighter training under the direction and approval of the Council.			
	Gross	N/A	\$0
22. Fireworks Safety Inspection Grants	Restricted	N/A	0
<u>House</u> transfers spending authorization (\$165,200) from the Bureau of Fire Services line item to a new Fireworks Safety Inspection Grants line item for grants, administered by the BFS, to reimburse local fire departments for statutorily-required inspections of fireworks retailers. Amount transferred was based on the anticipated reimbursements for FY 13-14, at a rate required by 2013 PA 65, supported with revenue generated by consumer fireworks certificate safety fees and fines.			
	Gross	N/A	\$100
23. Self-Insurers Security Fund - Delphi Corp Bankruptcy (One-Time)	GF/GP	N/A	\$100
<u>House</u> includes placeholder for supplemental appropriation if sufficient resources are not provided within the Self-Insurers Security Fund to cover the workers' compensation claims of approximately 350 former employees of Delphi Corporation which was reorganized under bankruptcy protection from 2005 to 2009. (See boilerplate Sec. 1001.)			

Major Boilerplate Changes From FY 2013-14

Note: House renumber several sections, section numbers below are referenced as they appear in HB 5313 (H-1) with the current law section numbers in parenthesis.

Sec. 205. Benchmarks for New Programs or Program Increases – NEW

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 increases 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 15-16 budget. House creates.

Sec. 211. LCC IT Work Project – REVISED

Designates the appropriation for LCC IT upgrades as a work project, stipulates that the appropriation remain available and shall not lapse, and anticipates future appropriations until the project is completed. Executive eliminates language pertaining to additional appropriations and anticipated completion date. House concurs.

Sec. 235. Annual Legacy Costs – NEW

Identifies annual pension-related and retiree health care legacy costs for LARA pursuant to boilerplate Section 1202 of 2013 PA 59. Executive creates. House concurs.

Major Boilerplate Changes From FY 2013-14

Sec. 238. Require RFIs and RFQs Prior to Issuing RFPs – DELETED

Prohibits LARA from issuing requests for proposals (RFP) for contracts in excess of \$50.0 million without first considering issuing requests for information (RFI) or requests for qualifications (RFQ) and requires that LARA notify DTMB of the evaluation process used to determine that a RFI or RFQ was not necessary. Executive eliminates. House concurs.

Sec. 241. Informational, Training, and Special Events Revenues and Expenditures – NEW

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, and requires annual report pertaining to revenues and expenditures related to events. House creates.

Sec. 245. Healthy Michigan Plan Accounting Structure – NEW

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. House creates.

Sec. 305. Fireworks Safety Grants – DELETED

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. Executive eliminates. House concurs.

Sec. 702. (332) UI Computer System Report – REVISED

Requires quarterly reports on the status of the UIA's integrated IT system re-write project until project completion. Executive eliminates. House revises to require quarterly reports on the implementation or and improvements to the integrated system project.

Sec. 703. (333) UI Internet Claims Report – REVISED

Requires LARA to submit quarterly reports pertaining to the percentage of claimants using the internet MARVIN system, or any application developed for that purpose, to certify and receive UI benefits and implement improvement to the system to reach a goal of 80.0% of claimants certifying on systems that reduces staff face time and MARVIN telephone system usage. Executive eliminates. House revises to include accurate terminology and increases goal to 85%.

Sec. 248. (368) Regulatory Statistical Report – REVISED

Requires LARA to submit an annual report including statistical information pertaining to revenues, expenditures, application determinations, timeliness, examinations, complaints, investigations, and enforcement actions for each regulatory product administered by regulatory agencies within LARA. Executive eliminates. House adds reporting requirements pertaining to administrative hearings and adjudications.

Sec. 902. (728). Medical Marihuana Registry Cards Report and Grants to County Law Enforcement – REVISED

Requires LARA to submit a report pertaining to the number of medical marihuana registry identification cards issued or renewed in each county. Stipulates that LARA award Medical Marihuana Operation and Oversight Grants to county law enforcement agencies. Requires reports submitted by both county law enforcement agencies and LARA pertaining to the amounts, recipients, and uses of the grants. Permits county law enforcement agencies to distribute discretionary grants to municipal law enforcement agencies. Executive includes new subsection further delineating the granting process and alters grant application and reporting dates. House partly concurs, but nominally differs in revisions.

Sec. 510. (731) Bureau of Health Care Services Regulatory Costs and Fee Reports – REVISED

Requires the Bureau of Health Care Services (BHCS) to submit to the Legislature an updated report pertaining to the costs to regulate each of the several types of health facilities and a proposed updated fee schedule to offset BHCS' regulatory costs, including recommended statutory and rule changes. Executive eliminates regulatory cost reporting requirement. House concurs.

Sec. 801. Nursing Home Survey IT System Project – DELETED

Stipulates that the appropriation for nursing home survey IT system is for costs associated with complying with 2012 PA 322 and is one-time, sufficient to cover expenditures, and that no future appropriations are anticipated. Executive eliminates. House concurs.

Sec. 1001. Delphi Corp Workers' Compensation Claims – NEW

Stipulates that if sufficient funds are not appropriated in FY 2013-14 to cover the workers' compensation claims of former employees of Delphi Corp, it is the Legislature's intent to appropriate sufficient funds in FY 2014-15. House creates.

Various Sections Deleted by Executive, Retained by House

Executive eliminates Sections 212, 215, 219, 225, 232, 240, 246 (341), 250, 511 (732), 801 (390), 705 (611), 506 (714), and 507(1) (726(1)). House retains.