



Background Briefing

Licensing and Regulatory Affairs (LARA)

Paul Holland, Fiscal Analyst

February 2012

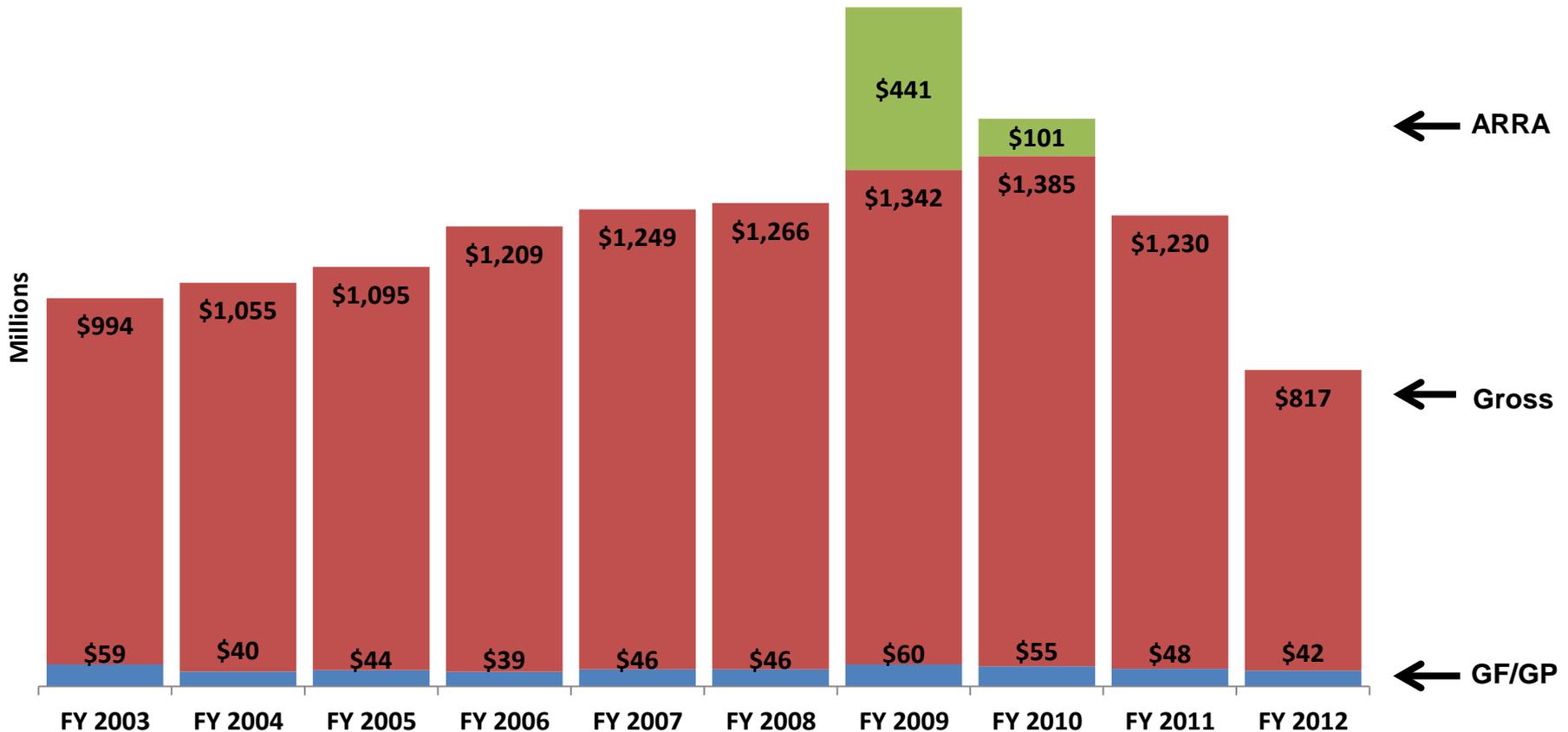
The fiscal information in this background briefing is based on data through February 9, 2011.

LARA Overview

- E.O.s 2011-4 & -5 reorganized the Department of Labor, Energy, and Economic growth into LARA. LARA is responsible for:
- **Commercial and Occupational Regulation**
Office of Financial & Insurance Regulation, Public Service Commission, Liquor Control Commission, and the Bureaus of Commercial Services, Construction Codes, Fire Services, Health Systems, and Health Professions
- **Employment Services and Safety**
Unemployment Insurance Agency, Workers' Compensation Agency, Wage & Hour Division, Commission for the Blind, Michigan Rehabilitation Service, and Michigan Occupational Safety & Health Administration
- **Administrative Rulemaking and Hearings**
Michigan Administrative Hearing System and the Office of Regulatory Reinvention

LARA: Gross Appropriations

Substantial increases in FY 09 & 10 due to Federal stimulus (ARRA) money
Substantial decrease in FY 12 due to reorganization of DELEG into LARA

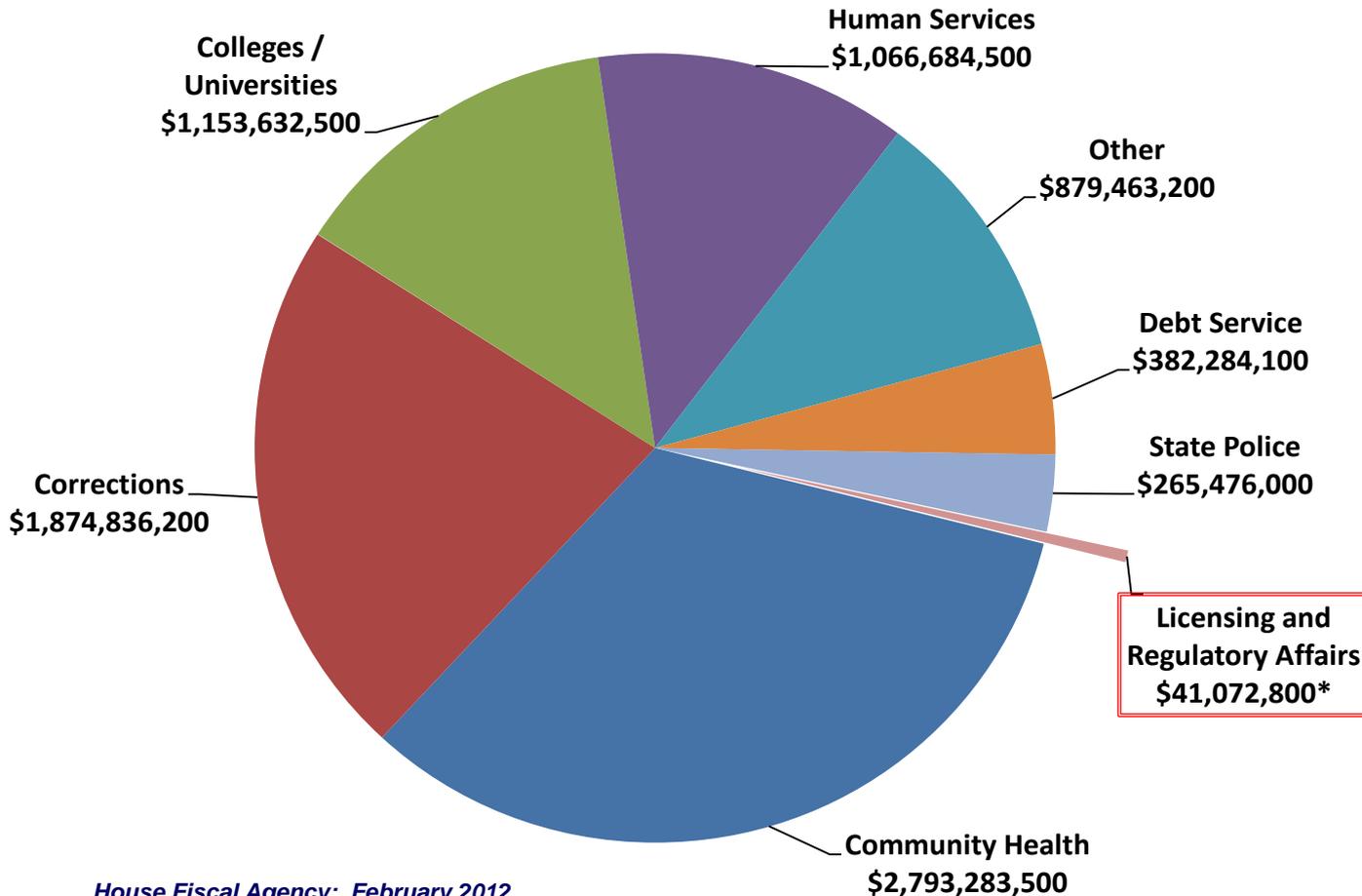


House Fiscal Agency: February 2012

LARA Share of State GF/GP

LARA makes up 0.49% of the total state GF/GP budget

FY 2011-12 GF/GP Total = \$8,456,732,800*



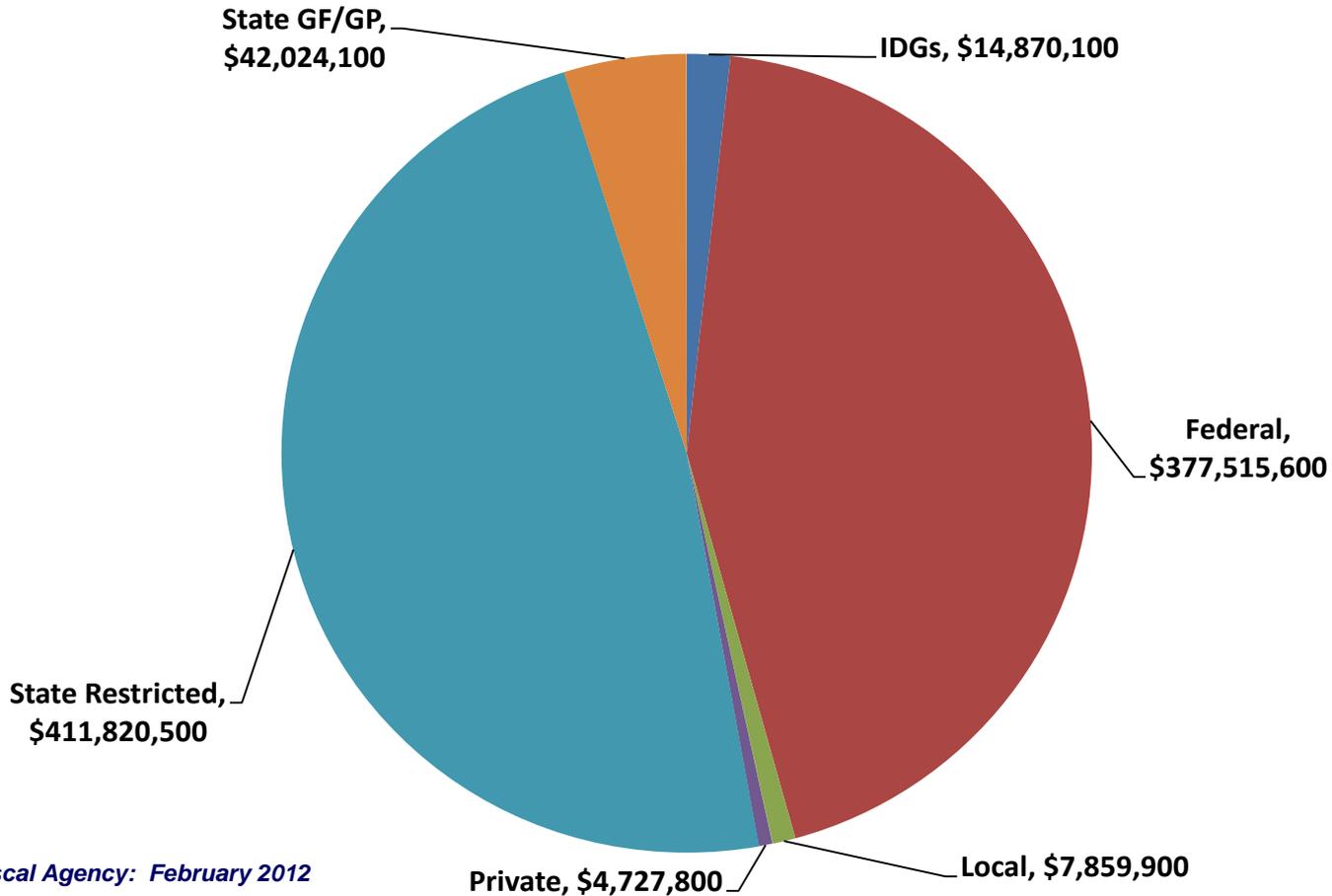
* Does NOT include \$306,271,900 (\$144,528,000 in GF/GP) appropriated by SB 863 (S-1) to prefund OPEB based on the number of FTEs throughout the state government, including \$24,327,600 (\$951,300 in GF/GP) appropriated by SB 863 (S-1) to prefund OPEB based on the number of FTEs throughout LARA.

SOURCES OF FUNDING

LARA Funding Sources

Numerous state restricted funds (from regulatory fees) constitute 48% and various federal grants constitute 44% of revenues for the budget

FY 2011-12 LARA Budget = \$858,818,000



STATE SPENDING

LARA Appropriations

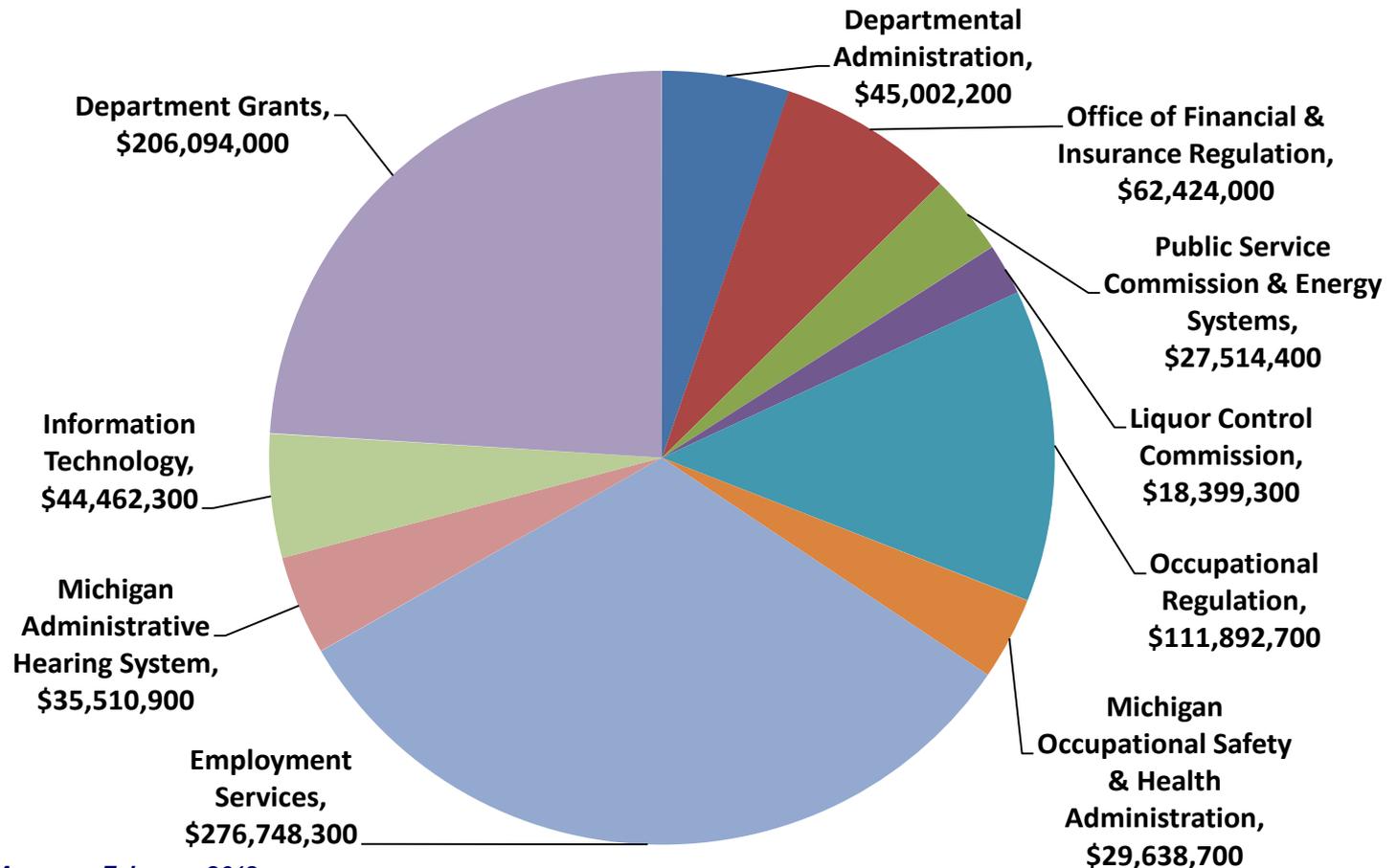
The LARA budget is allocated into the following appropriation units:

- Departmental Administration
- Office of Financial and Insurance Regulation (OFIR)
- Public Service Commission and Energy Systems (PSC)
- Liquor Control Commission (LCC)
- Occupational Regulation
- Michigan Occupational Safety and Health Administration (MIOSHA)
- Employment Services
- Michigan Administrative Hearing System (MAHS)
- Information Technology
- Department Grants

LARA Appropriations

Employment Services (53% is federal funds for UIA), Department Grants and Occupational Regulation together constitute 69% of LARA appropriations

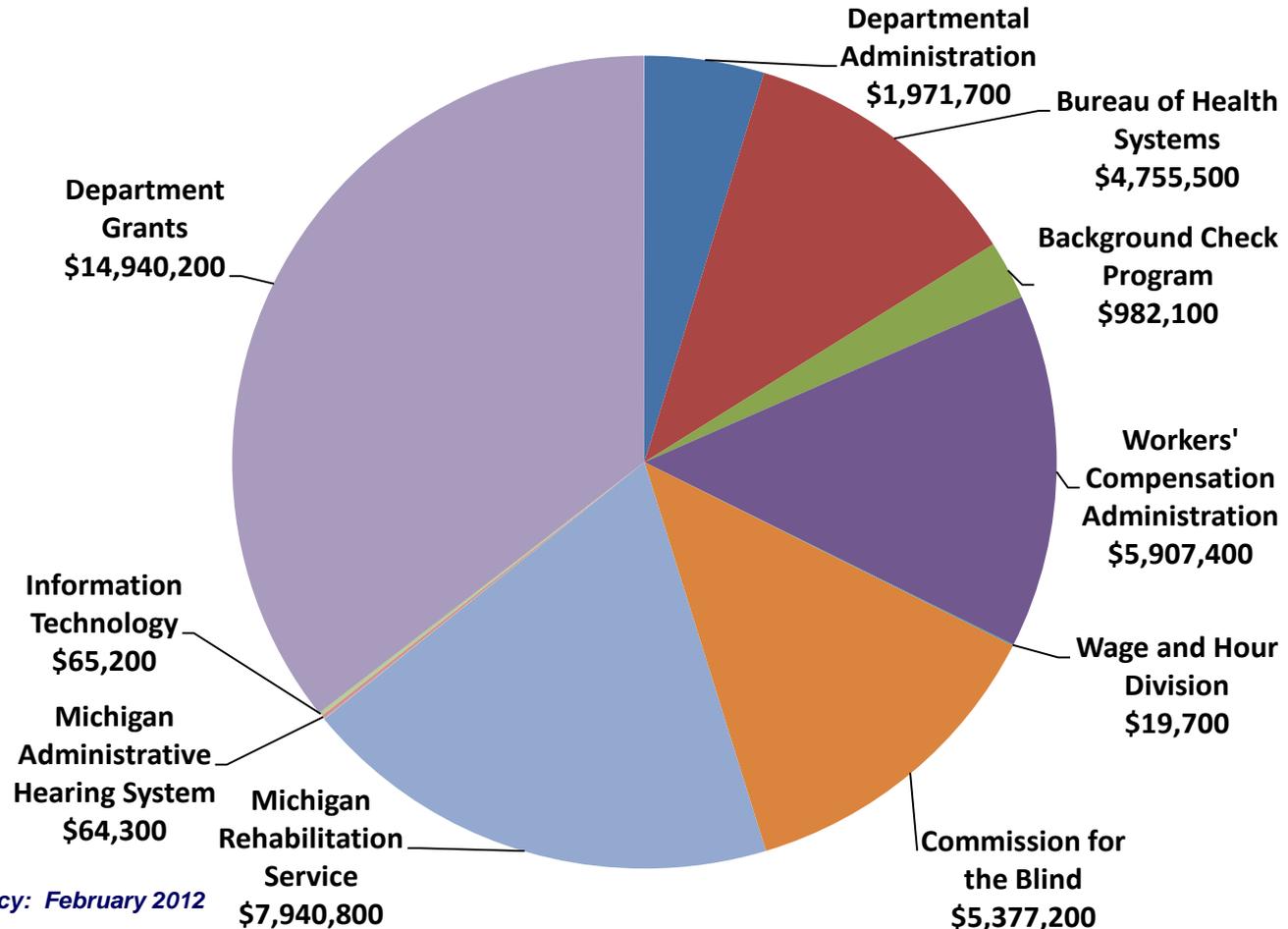
FY 2011-12 LARA Budget = \$858,818,000



LARA GF/GP Appropriations

Departmental Grants (36%), Rehabilitative Services (19%), Workers' Compensation Administration (14%), Commission for the Blind (13%), and Bureau of Health Systems (11%) constitute 93% of GF/GP appropriations

LARA GF/GP Appropriations = \$42,024,100



MAJOR BUDGET ISSUES

Executive Reorganization

DELEG into LARA

To LARA



Executive Reorganization

DELEG into LARA

From LARA (1)



Executive Reorganization

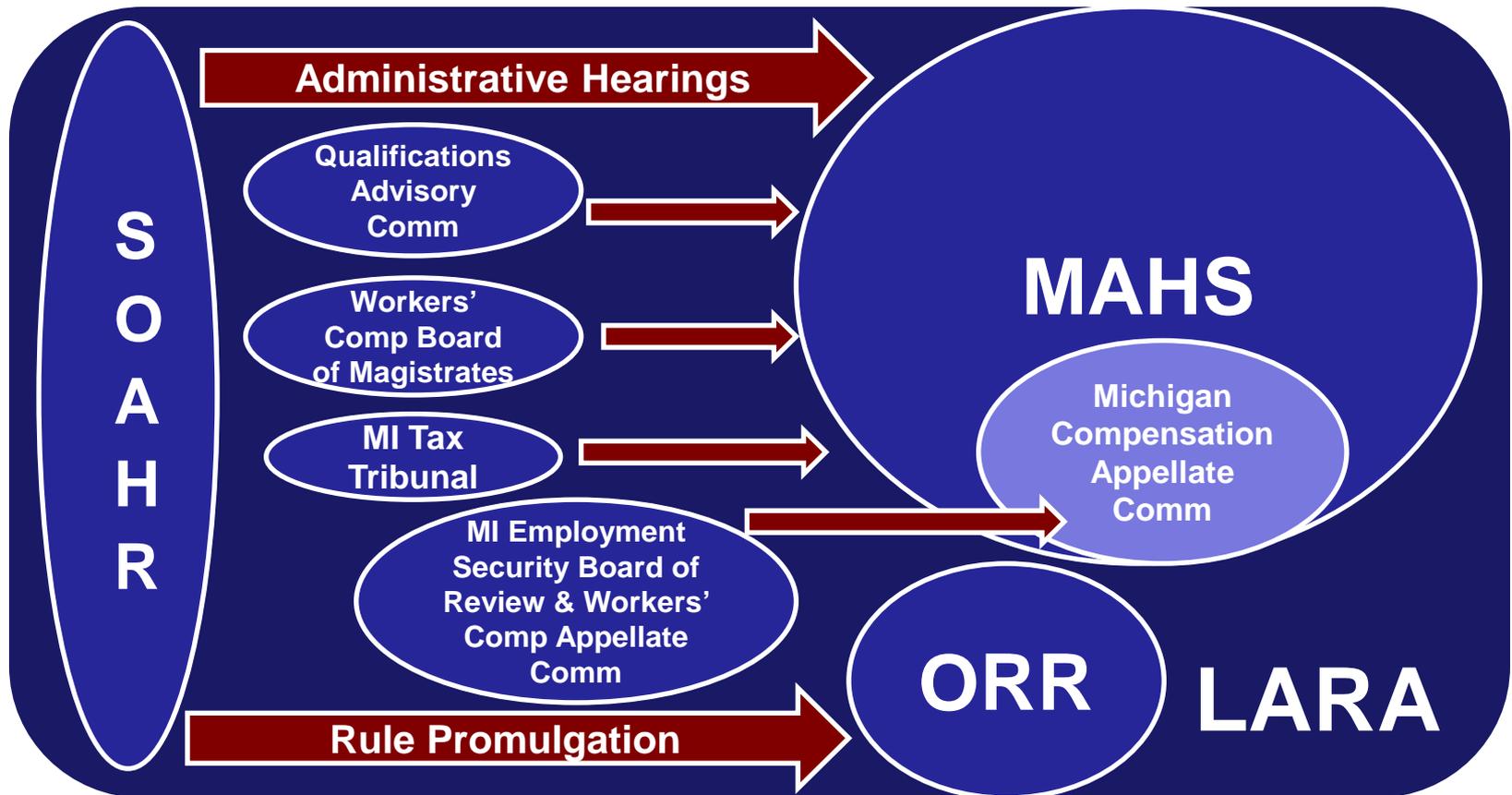
DELEG into LARA

From LARA (2)



Executive Reorganization DELEG into LARA

Within LARA



LARA Sources of Funding

State Restricted Revenues

Primarily comprised of licensing & permit fees levied on organizations & occupations regulated under LARA agencies & commissions. Also includes public utility assessments, revenue from wholesale liquor sales & other statutory funds.

Federal Revenues

Primarily comprised of grants from the Departments of Labor, Education, and Health & Human Services with additional grants from the Departments of Energy, Transportation, and Homeland Security.

General Funds

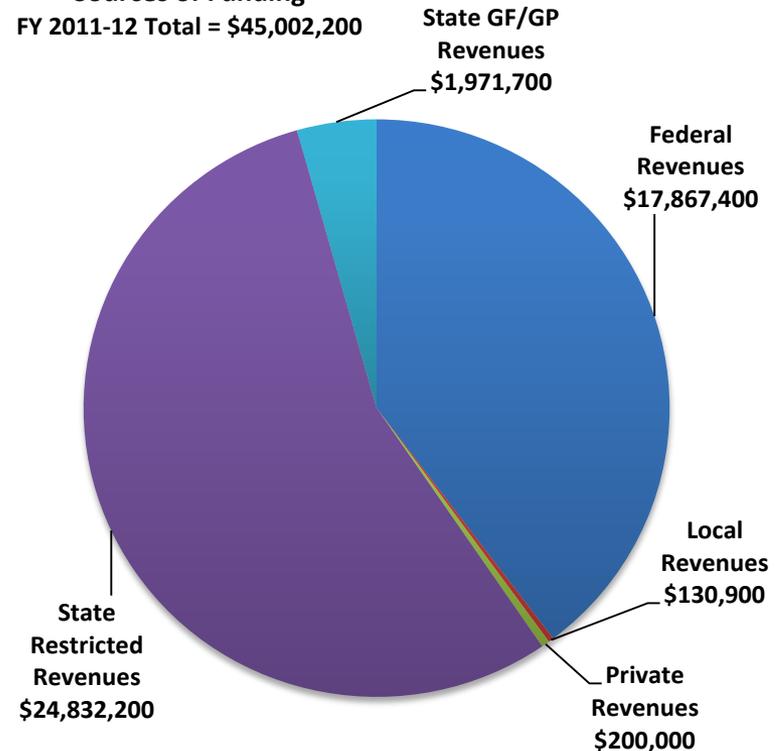
Constitute less than 4% of LARA's funding

Departmental Administration

Appropriation funds the salaries of various appointed Commissioners, the LARA Director, and the operation and administration of the offices of Communications, Human Resources, Policy & Legislative Affairs, and Finance & Administrative Services. Also covers expenses for property management, rent, workers' compensation, and special project advances.

Departmental Administration
Sources of Funding

FY 2011-12 Total = \$45,002,200

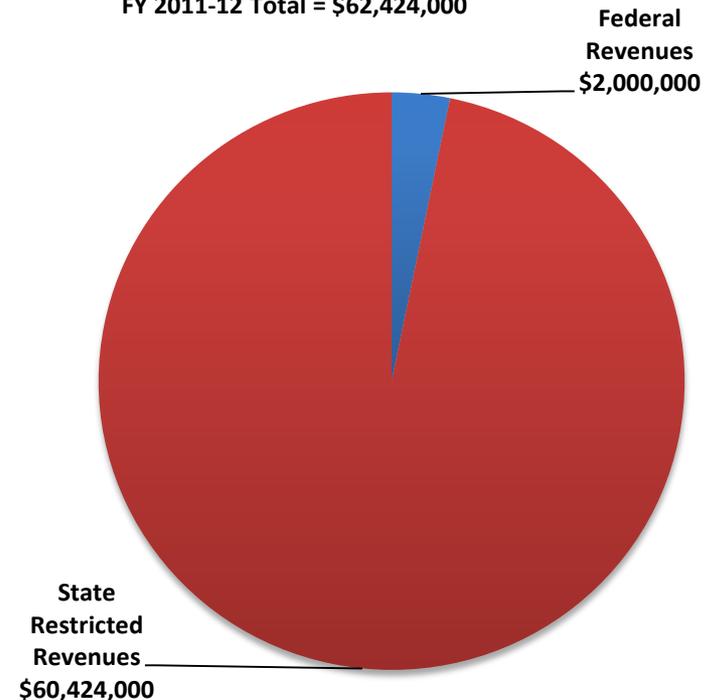


Office of Financial & Insurance Regulation

Appropriation funds the operation and administration of the Office of Financial & Insurance Regulation which is responsible for all of the state's financial regulatory activity; including the oversight of banks & trusts, credit unions, consumer finance services & education, the securities industry, the mortgage industry, receiverships, insurance companies, health maintenance organizations, and BC/BS.

House Fiscal Agency: February 2012

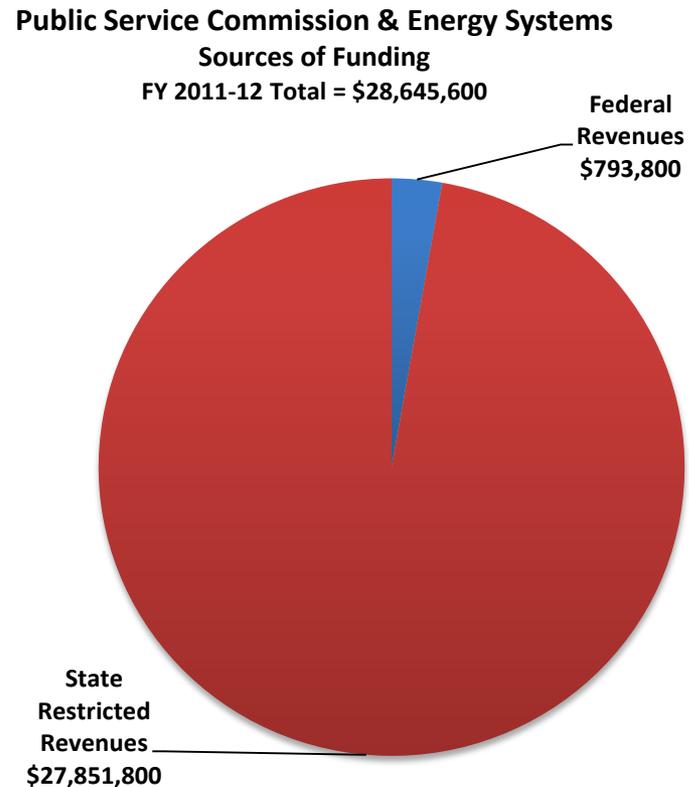
Office of Financial & Insurance Regulation
Sources of Funding
FY 2011-12 Total = \$62,424,000



Public Service Commission & Energy Systems

Appropriation funds the operation and administration of the quasi-judicial Michigan Public Service Commission which regulates the production and distribution of investor-owned electric and natural gas utilities in addition to certain telecommunication and motor carrier services. Also funds the Metropolitan Right-of-Way Oversight Authority which coordinates public RoW issues involving telecom providers.

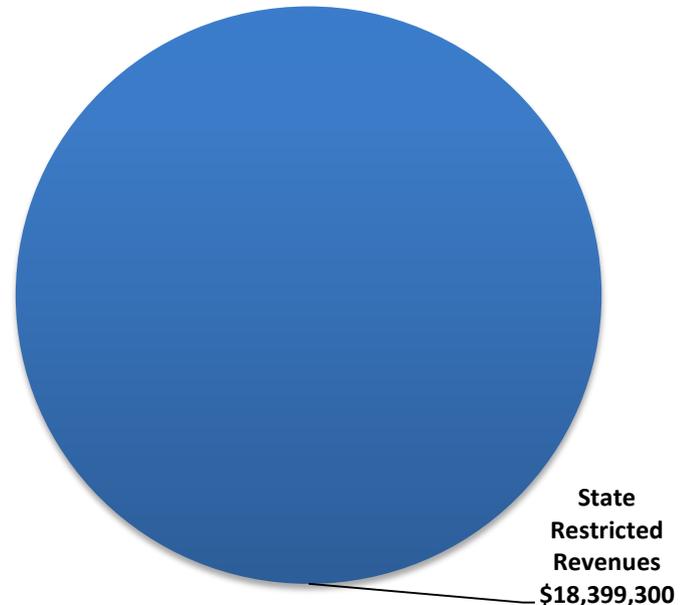
House Fiscal Agency: February 2012



Liquor Control Commission

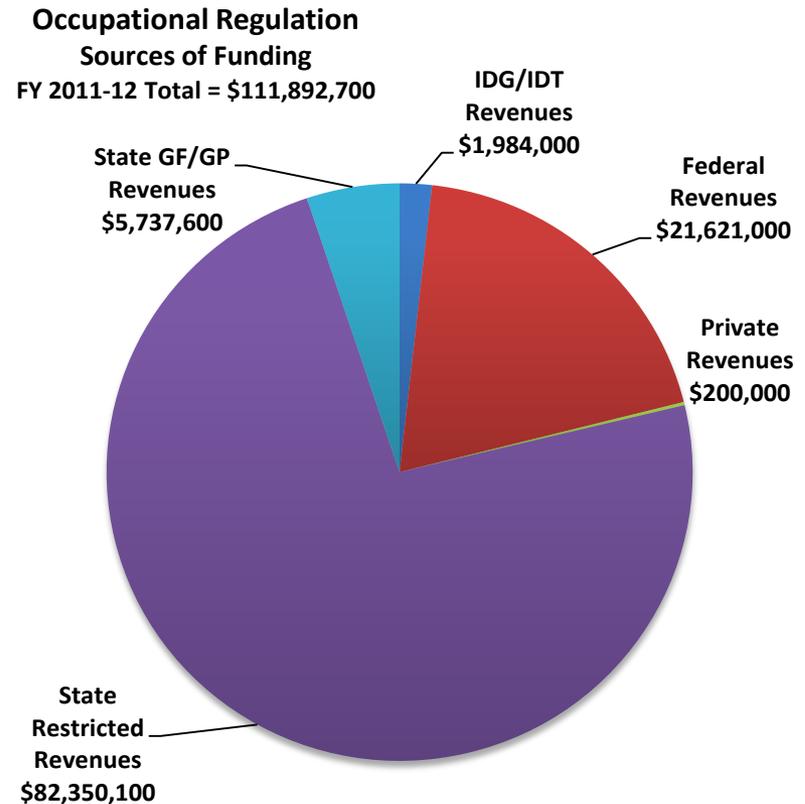
Appropriation funds the operation and administration of the Liquor Control Commission which is empowered to enforce all liquor laws and regulate the traffic of alcohol within the state, including the licensing of vendors of alcoholic beverages and exclusive wholesaling of liquor. The Commission promulgates rules, administers hearings, and sets liquor prices and licensing fees.

Liquor Control Commission
Sources of Funding
FY 2011-12 Total = \$18,399,300



Occupational Regulation

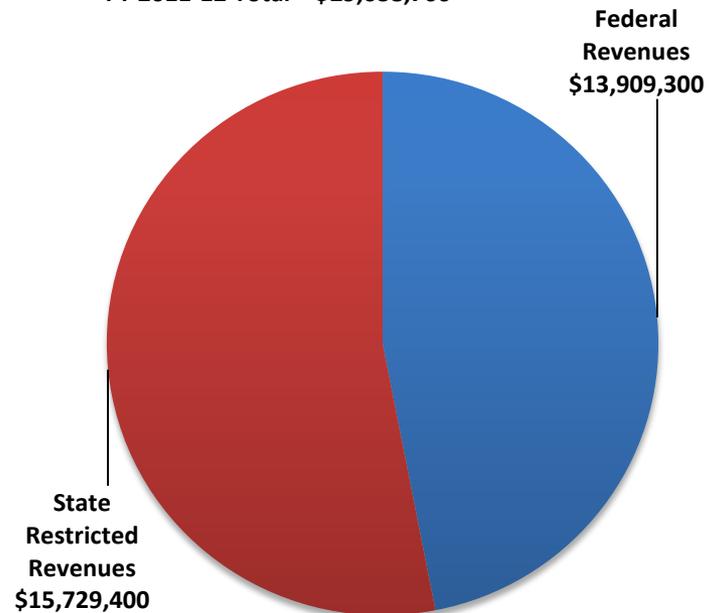
Appropriation funds the operation and administration of the Bureau of Commercial Services, Construction Codes, Fire Services, Health Professions, and Health Systems. The bureaus manage various regulatory programs which license numerous occupations and organizations and certify physical & mechanical structures.



Michigan Occupational Safety & Health Administration

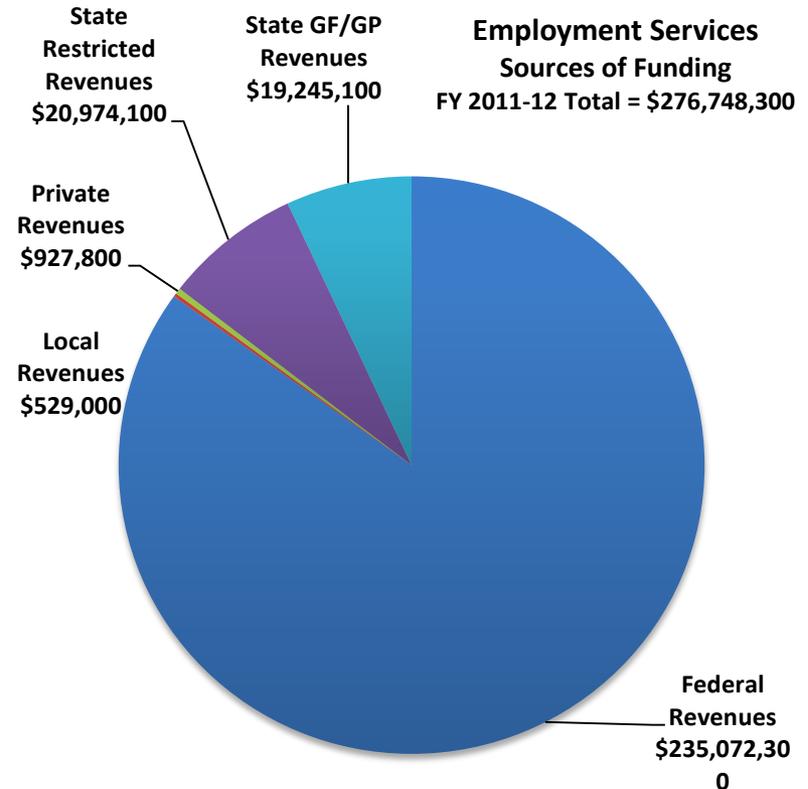
Appropriation funds the operation and administration of the Michigan Occupational Safety & Health Administration which supplants federal OSHA in developing and regulating state-wide occupational health & safety standards and ensuring employer compliance through data collection, workplace inspections, and educational programs and materials.

Michigan Occupational Safety & Health Administration
Sources of Funding
FY 2011-12 Total = \$29,638,700



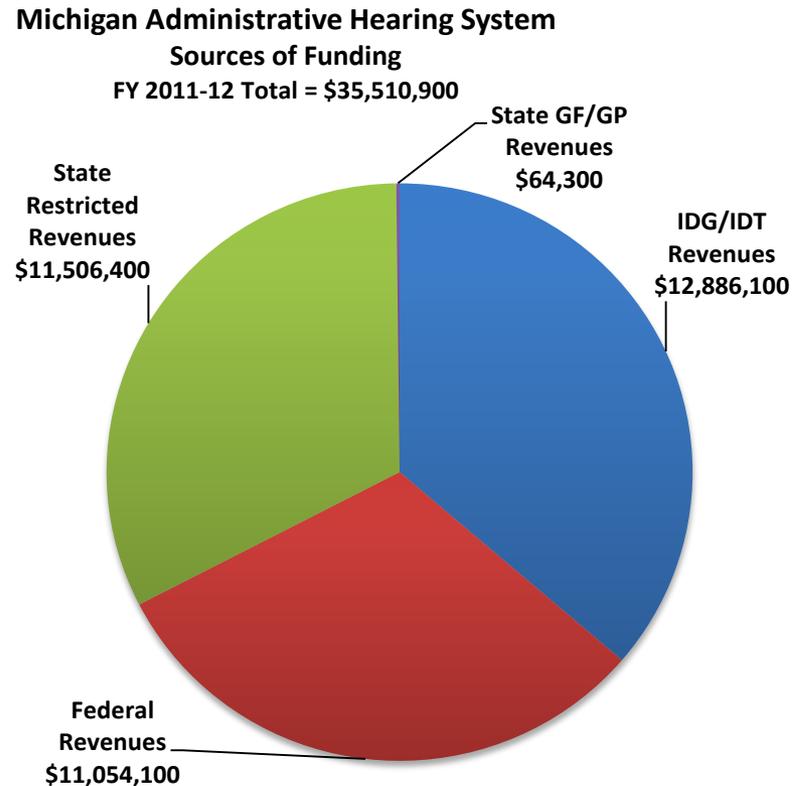
Employment Services

Appropriation funds the operation and administration of the Unemployment Insurance Agency, Workers' Compensation Agency, Wage & Hour Division (enforces wage/benefit laws), and Bureau of Employment Relations (mediates labor disputes) in addition to the Commission for the Blind and Michigan Rehabilitation Services which provide employment training for the visually and physically disabled.



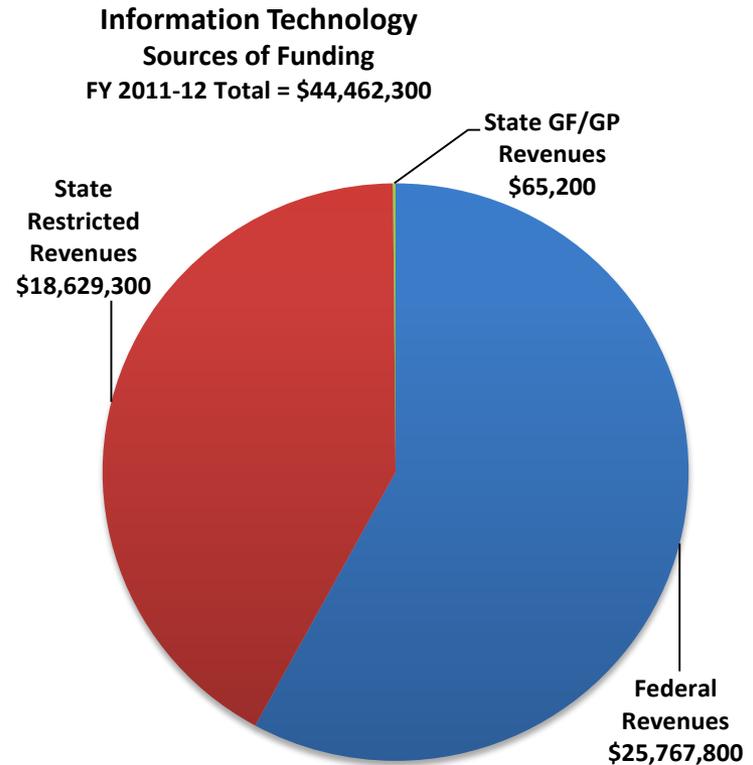
Michigan Administrative Hearing System

Appropriation funds the operation and administration of the Michigan Administrative Hearing System which centralizes the administrative hearing functions for several state departments in addition to the Michigan Tax Tribunal, Workers' Compensation Board of Magistrates, and Michigan Compensation Appellate Commission. Also funds the Office of Regulatory Reinvention.



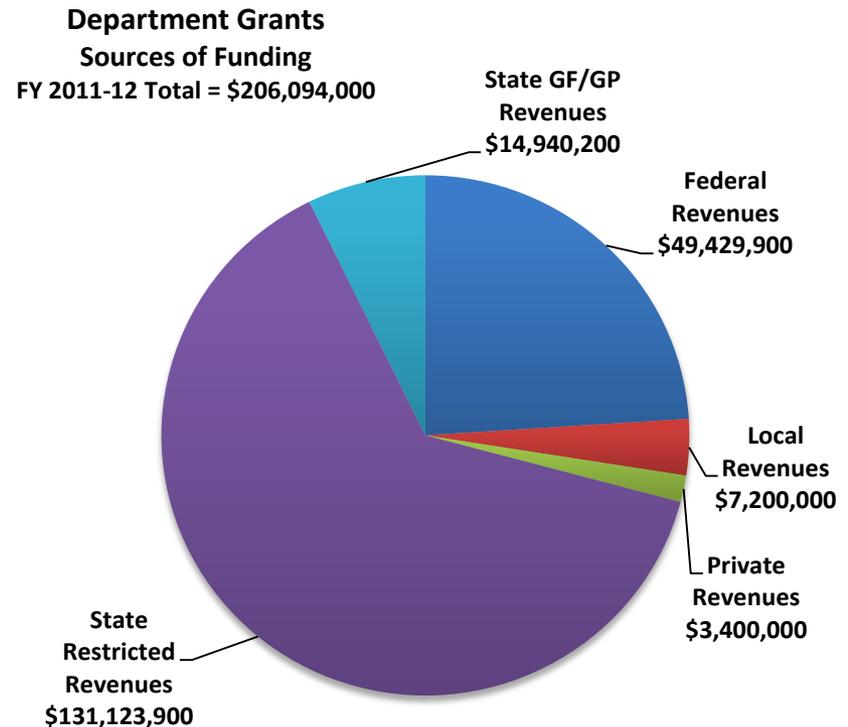
Information Technology

Appropriation funds LARA's payments to the Department of Technology, Management & Budget (DTMB) for information technology services provided by DTMB as part of the administration of LARA's programmatic responsibilities.



Department Grants

Appropriation funds grants administered by LARA, including: vocational rehabilitation, independent living, fire protection, low-income energy assistance and efficiency*, liquor law enforcement, remonumentation, subregional libraries, utility consumer representation, and youth low-vision grant programs.



Specific Departmental Grants

Grants Supported with General Funds

- Grants to CILs for Personal Assistance Services
- MRS grants for Vocational Rehabilitation Customer Support
- Grants to CILs for Independent Living
- Grants to 12 subregional libraries for services to the blind and physically handicapped
- Grants to the Commission for the Blind for youth low-vision program
- Grants to nonprofit organizations for low income energy assistance programs (2011 PA 275)

Other Departmental Grants

- Fire Protection Grants
- Low-Income Energy Efficiency Grants (suspended by CoA)
- Liquor Law Enforcement Grants
- Remonumentation Grants
- Utility Consumer Representation Grants

2011 PA 275

Department Grants include \$23,000,000 supplemental (\$13,000,000 from the Vulnerable Household Warmth Fund and \$10,000,00 from the General Fund) appropriated by 2011 PA 275 to partially replace the Low Income Energy Efficiency Fund (LIEEF) which was invalidated by a Court of Appeals ruling issued on July 21, 2011. The LIEEF was originally appropriated \$95,000,000 for FY 2011-12, \$23,000,000 of which was granted by the MPSC to nonprofit organizations for energy assistance programs. Following the invalidation of the LIEEF by the Court of Appeals, potential contributions to the LIEEF were deposited into escrow accounts and unexpended grant amounts were refunded. 2011 PA 275 appropriated \$23,000,000 to LARA to fund the energy assistance grants made to nonprofit organizations. **Please note that the \$23,000,000 is not actually in addition to the original \$95,000,000 appropriation, but a partial replacement of it.**

SB 863 (S-1)

LARA's FY 2011-12 appropriation includes supplemental of \$24,327,600 Gross (\$1,496,600 in IDG, \$11,787,300 in federal, \$10,092,400 in state restricted, and \$951,300 in GF/GP) appropriated by SB 863 (S-1) to prefund Other Post Retirement Benefits (OPEB) based on the number of FTEs throughout LARA.



**For more information about the
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