

**Summary: Conference Report**  
**FY 2002-03 Department of Consumer and Industry Services**  
**HB 5644**

	FTEs	Gross	IDG/IDT	Federal	Local	Private	State Restricted	GF/GP
<b>2001-02 YTD</b>	<b>4,242.9</b>	<b>\$557,480,400</b>	<b>\$111,800</b>	<b>\$234,440,500</b>	<b>\$0</b>	<b>\$740,000</b>	<b>\$284,291,400</b>	<b>\$37,896,700</b>
<b>Executive</b>	<b>4,006.4</b>	<b>\$570,138,100</b>	<b>\$111,100</b>	<b>\$242,311,500</b>	<b>\$0</b>	<b>\$770,000</b>	<b>\$288,957,600</b>	<b>\$37,987,900</b>
Exec \$ Change from YTD	(236.5)	\$12,657,700	(\$700)	\$7,871,000	\$0	\$30,000	\$4,666,200	\$91,200
<b>House</b>	<b>4,006.4</b>	<b>\$570,135,800</b>	<b>\$111,100</b>	<b>\$242,311,500</b>	<b>\$0</b>	<b>\$770,000</b>	<b>\$288,957,600</b>	<b>\$37,985,600</b>
House \$ Change from YTD	(236.5)	\$12,655,400	(\$700)	\$7,871,000	\$0	\$30,000	\$4,666,200	\$88,900
House % Change from YTD	(5.6%)	2.3%	0.6%	3.4%	0.0%	4.1%	1.6%	0.2%
<b>Senate</b>	<b>4,012.4</b>	<b>\$570,713,000</b>	<b>\$111,100</b>	<b>\$242,311,500</b>	<b>\$0</b>	<b>\$770,000</b>	<b>\$289,532,600</b>	<b>\$37,987,800</b>
Senate \$ Change from House	6.0	\$577,200	\$0	\$0	\$0	\$0	\$575,000	\$2,200
Senate % Change from House	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.2%	0.0%
Senate \$ Change from YTD	(236.5)	\$12,782,600	(\$700)	\$7,871,000	\$0	\$30,000	\$4,791,200	\$91,100
Senate % Change from YTD	(5.6%)	2.4%	0.6%	3.4%	0.0%	4.1%	1.8%	0.2%
<b>Conference</b>	<b>4,012.4</b>	<b>\$555,001,500</b>	<b>\$111,100</b>	<b>\$242,311,500</b>	<b>\$0</b>	<b>\$770,000</b>	<b>\$275,832,600</b>	<b>\$35,976,300</b>
Conference \$ Change from House	6.0	(\$15,134,300)	\$0	\$0	\$0	\$0	(\$13,125,000)	(\$2,009,300)
Conference % Change from House	0.1%	(2.7%)	0.0%	0.0%	0.0%	0.0%	(4.5%)	(5.3%)
Conference \$ Change from YTD	(230.5)	(\$2,478,900)	(\$700)	\$7,871,000	\$0	\$30,000	(\$8,458,800)	(\$1,920,400)
Conference % Change from YTD	(5.4%)	(0.4%)	(0.6%)	3.4%	0.0%	4.1%	(3.0%)	(5.1%)

**OVERVIEW**

The Department of Consumer and Industry Services acts as the primary regulatory agency within state government, having regulatory and administrative responsibilities in a diverse number of policy areas, including the regulation of specific industry groups (e.g. public utilities, banking and insurance, liquor manufacturing and retailing, construction), the licensing and regulation of occupations and professions (e.g. doctors, architects, morticians), and the monitoring and licensing of statutorily-regulated facilities (e.g. nursing homes, clinical laboratories). The department also oversees the administration of the state's unemployment insurance and worker's compensation programs. The Administration has recently proposed (through Executive Order 2002-1) combining responsibility for these two programs into a single bureau – the Bureau of Worker's and Unemployment Compensation. The FY 2003 budget recommendation reflects this consolidation.

**Major Budget Changes from FY 2001-02 YTD Appropriations:**

**1. Bureau of Worker's and Unemployment Compensation**

The **House** and **Senate** concur with the **Executive** in consolidating appropriations for the Bureau of Worker's Disability Compensation and the Unemployment Agency into a single unit in accordance with the provisions of Executive Order 2002-1. A significant budgetary change within the Bureau involves the financing of worker's compensation program activities. For FY 2002, \$15.8 million of corporation fee and securities fee revenue replaced GF/GP funding for these activities. The FY 2003 proposal replaces just over \$9.8 million of the corporation fees and securities fees appropriations with funding from the Employment Security Contingent Fund, which is primarily made up of penalties and interest paid by employers who are delinquent in making unemployment tax payments. The fund had a FY 2001 closing balance of \$90.3 million. Since securities fees and some corporation fees lapse to the general fund, it is likely that the bulk of the \$9.8 million funding shift will result in direct GF/GP savings. The **Conference Committee** also concurs.

	<u>House</u>	<u>Senate</u>	<u>Conference</u>
<b>Gross</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Securities	(5,005,400)	(5,005,400)	(5,005,400)
Corporation	(4,826,900)	(4,826,900)	(4,826,900)
Contng Fnd	9,832,300	9,832,300	9,832,300
GF/GP	\$0	\$0	\$0

**2. Fire Protection Grants**

The **House** and **Senate** concurred with the **Executive** in maintaining the appropriation for this grant program at the FY 2002 level of \$7.4 million. The line supports grants to local units of government that provide fire protection services to state-owned facilities. Note that while the appropriation is technically from the Liquor Purchase Revolving Fund (LPRF), it is essentially equivalent to a GF/GP appropriation since LPRF proceeds over and above the level needed to meet regulatory costs are deposited in the general fund.

<b>Gross</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$3,700,000)</b>
Restricted	\$0	\$0	(\$3,700,000)

The **Conference Committee** reduces the appropriation by \$3.7 million. This reduction would be restored, however, if an increase in the cigarette tax of at least 30 cents per pack is enacted prior to September 30, 2002.

**3. Reed Act Funds – Unemployment Programs**

Pursuant to the target setting agreement, \$10.0 million in appropriations from the Employment Security Contingent Fund is removed from the "Unemployment Programs" line item as part of a fund shift. The reduction will be replaced by federal Reed Act funds through a FY 2002 supplemental appropriation in House Bill 4373. This supplemental appropriation will provide Reed Act funds for these purposes for FY 2002 through FY 2004. The "Unemployment Programs" line supports the administration of the State's unemployment insurance program.

<b>Gross</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$10,000,000)</b>
Restricted	\$0	\$0	(\$10,000,000)

The State of Michigan recently received just over \$291.0 million in Reed Act funds as part of the recently enacted federal economic stimulus package. Funds may be used to support unemployment insurance programs and employment service/job placement programs.

**Major Budget Changes from FY 2001-02 YTD Appropriations:**

**House**                      **Senate**                      **Conference**

**4. Transfer of Funds for Security Guard/ Detective/  
Alarm System Business Licensing**

FTEs	0.0	6.0	6.0
<b>Gross</b>	<b>\$0</b>	<b>\$450,000</b>	<b>\$450,000</b>
Restricted	\$0	\$450,000	\$450,000

The **Senate** adds 6.0 FTE positions and \$450,000 in restricted revenue appropriations to the "Commercial Services" line item to support licensing activities required by statute related to security guards, alarm system contractors, and private detectives. Responsibility for this program currently resides with the Department of State Police.

Executive Order 2001-9 implemented temporary fee increases to cover the costs of these activities. A series of Senate bills – Senate Bills 420, 425, and 929 – would put the temporary increases into statute and thus make them permanent. The appropriations transferred to the department assume these increases will be enacted.

The **House** and **Executive** did not include funding for this purpose. The **Conference Committee** concurs with the Senate.

**5. Health Services – Increase for Nursing Study**

<b>Gross</b>	<b>\$0</b>	<b>\$125,000</b>	<b>\$125,000</b>
Restricted	\$0	\$125,000	\$125,000

The **Senate** increases the appropriation for "Health Services" by \$125,000 in Nurse Professional Fund revenue to finance the development of a Center for Nursing to study the current nursing shortage and the market for nurses. If approved by the Legislature, the department currently plans to issue a Request for Proposals to groups that might be interested in administering the center. The \$125,000 appropriation and any future money appropriated for this purpose would provide seed money for the development of the center. The goal would then be to have the center become self-financed through contributions from stakeholders.

The Nurse Professional Fund receives revenue from an assessment of \$2 on each annual nursing license fee. This revenue is then used to finance nursing scholarships and other professional development activities. The fund had a balance of just under \$1.8 million as of the close of FY 2001.

The **Executive** and **House** did not include this additional appropriation for the center. The **Conference Committee** concurs with the Senate.

**6. Office of Financial and Insurance Services**

<b>Gross</b>	<b>\$2,500,000</b>	<b>\$2,500,000</b>	<b>\$2,500,000</b>
Restr	2,500,000	2,500,000	2,500,000
GF/GP	\$0	\$0	\$0

The **Executive, House** and **Senate** concur in including \$2.5 million in new restricted revenue appropriations to finance the expansion of regulatory activities within the Office of Financial and Insurance Services (OFIS).

The proposal includes \$1.5 million in insurance fee revenue to allow the OFIS to contract with consultants to assist with financially troubled insurance companies and health maintenance organizations. Consultants would supplement current efforts to identify problem areas and develop a plan of action to address these issues. Another \$1.0 million in regulatory fee revenue would be utilized to contract with audit and compliance firms and employ productivity-enhancing software to expand examination activity involving consumer lenders and investment advisors. These actions would assist OFIS in providing for examinations of these entities every three years. The **Conference Committee** concurs.

**Major Budget Changes from FY 2001-02 YTD Appropriations:**

**7. Boiler and Elevator Inspectors**

The **Executive, House** and **Senate** add \$998,600 in new restricted fund appropriations to support 3 new elevator inspectors, 6 new boiler inspectors and the purchase of hand-held computers and software within the Bureau of Construction Codes. The funding will assist the Bureau in meeting statutory requirements on the regular inspection of boilers and elevators. The **Conference Committee** includes this increase.

	<u>House</u>	<u>Senate</u>	<u>Conference</u>
FTEs	9.0	9.0	9.0
<b>Gross</b>	<b>\$998,600</b>	<b>\$998,600</b>	<b>\$998,600</b>
Restr	998,600	998,600	998,600
GF/GP	\$0	\$0	\$0

**8. Section 8 Housing Rental Vouchers**

\$6.0 million in new federal appropriations for Section 8 housing vouchers are included in the **Executive, House** and **Senate** bills. The voucher program, administered through the Michigan State Housing Development Authority, provides rental subsidies to eligible low-income individuals. The increase would make available roughly 1,500 additional vouchers. The **Conference Committee** concurs.

<b>Gross</b>	<b>\$6,000,000</b>	<b>\$6,000,000</b>	<b>\$6,000,000</b>
Federal	6,000,000	6,000,000	6,000,000
GF/GP	\$0	\$0	\$0

**9. Regional Fire Safety Office**

The **Executive, House** and **Senate** each provide \$287,700 in new federal and fire service fee appropriations to finance a new regional fire safety office for the Southeast Michigan region. Funding will be applied toward facilities costs as well as 3 inspector staff positions and 1 administrative staff position. The **Conference Committee** retains the increase.

FTEs	4.0	4.0	4.0
<b>Gross</b>	<b>\$287,700</b>	<b>\$287,700</b>	<b>\$287,700</b>
Federal	48,900	48,900	48,900
Restr	238,800	238,800	238,800
GF/GP	\$0	\$0	\$0

**10. Nursing Scholarship Program**

The **Executive, House** and **Senate** concur in increasing appropriations from the Nurse Professional Fund (which is financed through contributions from nursing license fees) by \$248,000 to support additional scholarships for nursing students. The **Conference Committee** also concurs.

<b>Gross</b>	<b>\$248,000</b>	<b>\$248,000</b>	<b>\$248,000</b>
Restr	248,000	248,000	248,000
GF/GP	\$0	\$0	\$0

**11. Information Technology Consolidation**

The **Executive** recommends consolidating all appropriations for information technology personnel, support staff, and contracts to a separate Information Technology (IT) Services and Projects unit. The **House, Senate** and **Conference Committee** concur with the recommendation. Within the CIS budget, just over \$26.2 million in appropriations are moved into this unit. Appropriations will be used to pay for IT services and projects provided through the new Department of Information Technology (DIT). DIT will provide IT services statewide, billing individual departments for services provided.

FTEs	(222.5)	(222.5)	(222.5)
<b>Gross</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Restr	0	0	0
GF/GP	\$0	\$0	\$0

While the funding transfer does not affect overall appropriations in the budget, the transfer of staff to the new DIT does lead to a reduction of 222.5 FTE positions.

**12. Early Retirement Savings**

The **Senate**, acting on a recommendation from the Department of Management and Budget, added a negative appropriation of \$100 for "Early Retirement Savings". The appropriation was intended to be a placeholder to allow this issue to be addressed by the Conference Committee. The **Conference Committee** includes a negative GF/GP appropriation of \$1,631,700 for this purpose. This represents DMB-estimated early retirement savings. In calculating the required savings, the CIS is allowed GF/GP funding to replace 1 of every 5 early retirees.

<b>Gross</b>	<b>\$0</b>	<b>(\$100)</b>	<b>(\$1,631,700)</b>
GF/GP	\$0	(\$100)	(\$1,631,700)

**Major Budget Changes from FY 2001-02 YTD Appropriations:**

**13. General Budgetary Savings**

As part of the leadership target setting agreement, each department and agency will be required to absorb budgetary savings equal to 1% of its Executive-recommended GF/GP appropriation. For the CIS, this amounts to \$379,900 in required savings. The **Conference Committee** includes a new "Budgetary Savings" line item, which incorporates these savings. The CIS, along with the Department of Management and Budget, will formulate a proposal regarding how these savings are to be allocated across the agency's various programs. These recommendations will be forwarded to the House and Senate Appropriations Committees for approval through the legislative transfer process.

	<u>House</u>	<u>Senate</u>	<u>Conference</u>
<b>Gross</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$379,900)</b>
GF/GP	\$0	\$0	(\$379,900)

**14. Other Budgetary Adjustments**

The **Executive** recommends other budget reductions totaling \$2.2 million. These include the removal of \$1.2 million in appropriations that have been used to make sick leave payouts to individuals leaving state government under the last early retirement program; and a reduction of \$970,900 GF/GP and 11.0 FTE positions used to offset GF/GP economic increases paid to classified employees. The **House**, **Senate** and **Conference Committee** each concur with the recommendation.

FTEs	(11.0)	(11.0)	(11.0)
<b>Gross</b>	<b>(\$2,151,500)</b>	<b>(\$2,151,500)</b>	<b>(\$2,151,500)</b>
Federal	(593,500)	(593,500)	(593,500)
Restr	(498,700)	(498,700)	(498,700)
GF/GP	(\$1,059,300)	(\$1,059,300)	(\$1,059,300)

**15. Economic Increase**

The **Executive** bill contains an increase of \$5.6 million to provide a 2.0% overall increase for classified salaries as well as to cover economic increases for retirement and insurance costs net of \$1.9 million in savings generated through the elimination of a \$375 lump sum payment for state classified employees. The **House**, **Senate** and **Conference Committee** concur with the recommendation.

<b>Gross</b>	<b>\$3,662,100</b>	<b>\$3,662,100</b>	<b>\$3,662,100</b>
Federal	\$875,200	\$875,200	\$875,200
Restr	\$1,866,500	\$1,866,500	\$1,866,500
GF/GP	\$921,100	\$921,100	\$921,100

**Major Boilerplate Changes from FY 2001-02:**

**Secs. 259 and 260. Information Technology Services and Projects**

The **Executive**, **House** and **Senate** bills each include new language regarding information technology expenditures and the newly created Department of Information Technology (DIT). As discussed above, appropriations covering information technology are transferred to a single line item. These sections provide that this appropriation be used to pay user fees to the new DIT for information technology services. The language requires that user fees be based on an interagency agreement between DIT and the department and allows the appropriation to be designated as a work project and carried forward to support technology projects. The **Conference Committee** concurs.

**Sec. 261. Early Retirement and Budgetary Savings**

The **Conference Committee** includes new language regarding the negative appropriations for "Early Retirement Savings" and "Budgetary Savings". The language provides that the House and Senate Appropriations Committees must approve the appropriation adjustments needed to allocate the negative appropriations to specific line items through the legislative transfer process.

**Sec. 262. Restoration of Reductions if Cigarette Tax Increase Enacted**

The **Conference Committee** adds language providing for the restoration of certain target-setting reductions if a cigarette tax increase of at least 30 cents per pack is enacted by September 30, 2002. For the CIS, the language could potentially restore the \$3.7 million reduction to the "Fire Protection Grants" line item.

**Sec. 326. MIOSHA Inspectors**

The **House** and **Senate** revise current law language that requires the department to provide funding for 30 general industry safety inspectors, 20 construction industry safety inspectors, and 26 industrial hygienists within the MIOSHA program. New language requires the department to provide funding for at least 76 individuals within these three categories as a whole. The **Executive** had proposed deleting the current law section. The **Conference Committee** retains the House/Senate language.

## Major Boilerplate Changes from FY 2001-02:

### **Sec. 335(2). Shut-off Protection Funds to Community Action Agencies**

The **House** includes new language earmarking \$3.0 million of the appropriation for "Low-Income/Energy Efficiency Assistance" to Community Action Agencies (CAAs) around the state to support shut-off protection programs for low-income individuals. Funds are to be distributed to the agencies by November 1 of each year. The Public Service Commission administers the program, which is expected to receive roughly \$48 million in revenue per year contributed from electric utilities. CAAs would have to abide by any reporting or monitoring requirements imposed on other grant recipients of the program. The **Conference Committee** concurs.

### **Deletion - Low-Income Energy Efficiency Assistance Fund**

New language added by the **Senate** provides that up to \$15.0 million of the appropriation for "Low-Income Energy Efficiency Assistance" be used to eliminate past due balances of any Work First client in full compliance. The language specifies that the program be coordinated through existing Family Independence Agency bill payment programs. For background, the fund receives contributions from utilities that the Public Service Commission (PSC) distributes through an RFP process. The PSC expects roughly \$48.0 million annually from this source in the coming years. The **Conference Committee** does not include this language in its report.

### **Sec. 336. Office of Financial and Insurance Services Expenditure Report**

The **House** adds new language requiring a report by December 1 of each year on the actual level of expenditures for each division within the Office of Financial and Insurance Services (OFIS) for the last completed fiscal year. The report requirement is linked to the proposed roll-up of OFIS program line items to accommodate a recent reorganization of the unit. The **Senate** and **Conference Committee** both concur.

### **Sec. 337. Pilot Program for Joint Review of Child Placing and Child Caring Institutions**

New language added by the **House** requires the department to work with the Family Independence Agency (FIA) and the Michigan Federation of Private Child and Family Agencies to form a licensing and contract compliance review team pilot. The pilot would coordinate licensing review efforts conducted by the department and contract compliance reviews conducted by the FIA in one child placing institution (e.g. foster care, adoption agencies) and one child caring institution (e.g. children's homes). The **Senate** and **Conference Committee** also include the language.

### **Sec. 338. Nursing Study**

New language added by the **Senate** allocates \$125,000 of the appropriation to the "Health Services" line item to establish a Center for Nursing to conduct research that will address nurse workforce planning, the supply of and demand for nurses, and nurse recruitment and retention issues. The center will recommend ways to address the current shortage of nurses. The **Conference Committee** retains the language and the related appropriation.

### **Sec. 339. Worker's Compensation Mediators**

The **Senate** adds new language that would require the department to "provide funding for worker's compensation mediator positions annually". The amendment is added in response to plans currently being considered by the department to eliminate 11 worker's compensation mediator positions funded through the Bureau of Worker's Compensation. Since some of the functions supported by the mediators are required in statute, these duties could be transferred to other staff within the department. The amendment would require the department to continue to provide funding in some manner for worker's compensation mediators, although it is unclear as to how many mediators this would cover.

The **Conference Committee** includes language specifically requiring the department to provide funding for six mediator positions.