

**Summary: Conference Report
CONSUMER AND INDUSTRY SERVICES FY 2003-04
Senate Bill 286 (H-1) CR-1**



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Budget Overview

The Department of Consumer and Industry Services (CIS) is the state’s primary regulatory agency. The Department has responsibility for a diverse set of programs, including the state’s unemployment and worker’s compensation systems, enforcement of industrial and occupational safety laws, regulation of specific industry groups (e.g., banking, public utilities), and licensing and regulation of occupational groups and regulated facilities. Over 93% of the current year budget is financed through either regulatory fee/assessment revenue or federal funding.

Summary of Major Budget Issues

Fee Increases Offset GF/GP Appropriations – The **Executive Recommendation** contained new restricted revenue appropriations of \$10.6 million to be financed through increased fees. The new fees are then used to offset a like amount of GF/GP appropriations. The proposal would increase corporate annual report filing fees; licensing and registration fees imposed on security agents, investment advisors, and security brokers/dealers; occupational licensing fees in a number of fields; and licensing and construction review fees on health facilities such as hospitals, nursing homes, and substance abuse programs. The **Senate** and **House** concur with the Executive. The **Conference Report** also concurs.

Modification of the Worker’s Compensation Appellate Commission – The **Executive** proposal removed \$1,183,200 in restricted revenue funding for the Worker’s Compensation Appellate Commission. The Commission’s current duties in handling worker’s compensation appeals would be transferred elsewhere within the Department. A portion of the restricted fund savings would lapse to the general fund and thus be available for other programming. The **Senate** restores funding for the Commission. The **House** recommends funding to support a four-member Commission instead of a seven-member Commission. The **Conference Report** concurs with the House.

Increased Funding for Fire Protection Grants – The **Executive Recommendation** included continuation level funding for Fire Protection Grants at \$3,710,500. The **Senate** increases the funding level to \$15,839,000 funded from the Liquor Purchase Revolving Fund. Funding contingency language can be found in Sec. 347 on the last page of this document. The **House** concurs with the Senate. The **Conference Report** concurs with the House and Senate.

FY 2003-04 Recommendations

	FY 2002-03 YTD (as of 3/6/03)	Executive	Senate	House	Conference	Difference: Conf. to 2002-03 YTD	
						Amount	%
IDG/IDT	\$111,100	\$111,100	111,100	111,100	111,100	\$0	0.0
Federal	241,911,500	283,831,500	283,831,500	283,831,500	283,831,500	41,920,000	17.3
Local	0	0	0	0	0	0	0.0
Private	770,000	770,000	770,000	770,000	770,000	0	0.0
Restricted	273,487,300	285,815,300	298,343,800	298,694,400	299,143,800	25,656,500	.09
GF/GP	32,900,500	19,669,800	20,185,800	20,184,700	19,669,800	(13,230,700)	(40.2)
Gross	\$549,180,400	\$590,197,700	\$603,242,200	\$603,591,700	\$603,526,200	\$54,345,800	9.9
FTEs	4,012.4	4,001.0	3,535.5	3,535.5	3,533.5	(478.9)	(11.9)

<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>	<u>YTD</u>	<u>Conference</u>
	<u>FY 2002-03</u>	<u>Change</u>

1. Fee Increases Offset GF/GP Appropriations

The **Executive** proposal included the appropriation of \$10.6 million in state restricted revenue that is to be generated by a number of proposed fee increases. The new appropriations are used to offset GF/GP appropriations within the budget. The Executive proposes increases for corporate annual report and document filing fees, registration fees for investment advisors and securities brokers/agents, licensing-related fees for a number of different occupational fields, and licensing and regulatory fees imposed on different health facilities. It is estimated that the fee increases will generate roughly \$12.7 million in additional revenue annually. The relevant sections of state statute setting these fees are incorporated into the budget's boilerplate sections. This would allow future increases to be determined within the budget bill. Legislative action amending existing statutes would be necessary to implement these increases. The **Senate** and **House** concur with Executive Recommendation. The **Conference Report** also concurs but eliminates the boilerplate sections.

	Gross	N/A	\$0
	Restricted		10,600,000
	GF/GP		(\$10,600,000)

Executive change: \$0

Senate change: \$0

House change: \$0

2. Worker's Compensation Appellate Commission

The **Executive** proposed the elimination of the Worker's Compensation Appellate Commission. The commission acts as an appeals body for cases handled by the Worker's Compensation Board of Magistrates. The duties of the Appellate Commission would be transferred to another area within the Department. Within the budget, \$624,200 is removed from the "Unclassified Salaries" line item (reflecting commission salaries), \$274,500 from the "Rent" line and another \$284,500 is taken from the "Appellate Commission Administration" line item (fringe benefits for the commission). Appropriations of \$605,400 covering support staff for the commission are retained in the budget. These staff would be re-assigned elsewhere within the Department. The **Senate** restores the Commission and funds it with \$515,000 of restricted revenue and \$668,200 of GF/GP. The **House** recommends appropriations in the three effected lines to support four commissioners, office space and staff instead of the current year seven-member Commission. This equates to an \$849,300 reduction from current year funding. The **Conference Report** concurs with the House.

	Gross	\$1,788,600	(\$849,300)
	Restricted	1,788,600	(849,300)
	GF/GP	\$0	\$0

Executive change: (\$1,183,200)

Senate change: \$0

House change: (\$849,300)

<u>Major Budget Changes from FY 2002-03 YTD Appropriations:</u>	<u>YTD</u>	<u>Conference</u>
	<u>FY 2002-03</u>	<u>Change</u>

3. Fire Safety/Construction Codes Merger

The **Executive** budget included a consolidation of the Office of Fire Safety (OFS) into the Department’s Bureau of Construction Codes. The OFS conducts inspections and plan reviews of renovations occurring at certain facilities covered by state fire safety laws. Along with the merger, the budget included a fund shift replacing \$856,600 in GF/GP appropriations with restricted revenue. The **Senate** and **House** concur. The **Conference Report** also concurs.

Gross	\$13,783,300		\$0
Federal	872,300		0
Restricted	12,046,700		856,600
GF/GP	864,300		(\$856,600)

Executive change: \$0

Senate change: \$0

House change: \$0

4. Section 8 Rental Subsidies

The **Executive** proposed additional authorization of \$42.0 million in federal revenue to reflect increased funds for use in providing Section 8 rental vouchers to low-income individuals. The voucher program is administered by the Michigan State Housing Development Authority and helps to subsidize rental costs for eligible individuals. Recent activity in this area has increased due to an “opt-out” provision in a non-active Section 8 program. Under the “opt-out”, developers are allowed to convert rents to market rates after a fixed period of time (normally 15 years). When developers do choose to opt out, HUD offers low-income tenants an enhanced Section 8 rental subsidy to ease the impact of the switch from the lower mandated rent levels to market-based rents. Since MSHDA administers many of these enhanced Section 8 vouchers, federal funding to MSHDA for Section 8 subsidies has increased substantially. The **Senate** and **House** concur with the Executive. The **Conference Report** also concurs.

Gross	\$78,000,000		\$42,000,000
Federal	\$78,000,000		\$42,000,000

Executive change: \$42,000,000

Senate change: \$42,000,000

House change: \$42,000,000

5. Fire Protection Grants

The **Executive Recommendation** included continuation level funding for Fire Protection Grants at \$3,710,500. The **Senate** increases the funding level to \$15,839,000 funded from the Liquor Purchase Revolving Fund. Funding contingency language can be found in Sec. 347 on the last page of this document. The **House** concurs with Senate action. The **Conference Report** concurs with the House and Senate.

Gross	\$3,710,500		\$12,128,500
Restricted	\$3,710,500		12,128,500

Executive change: \$0

Senate change: \$12,128,500

House change: \$12,128,500

Major Boilerplate Changes from FY 2002-03:

Contingency Funds – DELETED

Sec. 206 of current year language provides contingency fund authorization for the Department. The **Senate** strikes this language and the **House** and **Conference Report** concur.

Elevator Fee Carry Forward – CONTINUED

The **Executive** proposed continuation of Sec. 308 which allows the Department to carry forward license and permit fee revenue collected under the Elevator Licensing Act and Elevator Safety Board Act. The **Senate** strikes this language. The **House** and **Conference Report** restore current year language.

Occupational Health Regulatory Fee Carry Forward – CONTINUED

The **Executive** proposed continuation of Sec. 309 which allows the Department to carry forward any revenue generated for occupational safety and health; health systems administration, and radiological health administration in excess of appropriations. The **Senate** strikes this language. The **House** and **Conference Report** restore current year language.

Licensing and Regulation Fee Carry Forward – CONTINUED

The **Executive** proposed continuation of Sec. 313 which allows the Department to carry forward any revenue generated for certain occupational licensing and regulation fees that is in excess of the appropriation. The **Senate** strikes this language. The **House** and **Conference Report** restore current year language.

Day Care Facilities to Inspector Ratio – DELETED

Current law Sec. 334 requires the Department to make every effort to maintain a day care facility to day care inspector ratio of 210 to 1. The **Executive** deletes the section. The **Senate** and **House** concur with the Executive.

Sec. 335. Low-Income/Energy Efficiency Assistance Program – MODIFIED

Section 335 of current law requires reporting from the Department on the Low-Income/Energy Efficiency Assistance Program. The **Executive** deletes the section. The Executive also does not include vetoed language from FY 2003 earmarking \$3.0 million from the fund to community action agencies across the state. The **Senate** retains current law with the exception of subsection (2), removing the vetoed language of FY 2003. The **House** retains current law and as well includes subsection (2) which had been vetoed in the FY 2002-03 bill. The **Conference Report** concurs with the House.

Secs. 341. through 346. Fee Adjustments within Boilerplate – NEW

The **Executive** added six new sections which effectively incorporate within boilerplate a number of fees currently provided for in statute. In addition to moving the fees into boilerplate, most of the fees in these sections are also adjusted upward as part of a revenue enhancement proposal from the Executive. The sections include fee increases for a) annual report and document filings for various types of business organizations; b) registration fees for investment advisors and securities brokers, dealers, and agents; c) application and licensing fees for various professional and occupational groups; and d) licensing and other regulatory fees imposed on health facilities. Overall, the fee increases are expected to generate additional revenue of around \$12.7 million. The **Senate** concurs with the Executive. The **House** adds language that adjusts fee amounts based on changes of the Detroit Consumer Price Index. The **Conference Report** deletes sections 341 through 346.

Major Boilerplate Changes from FY 2002-03:

Sec. 347. Fire Protection Grants Funding Contingency – NEW

The **Senate** adds language requiring that the appropriation for fire protection grants be contingent upon statutory changes that would increase the deposit into the Liquor Purchase Revolving Fund. The **House** and **Conference Report** concur with the Senate.

Sec. 349. MSHDA Senior Assistance – NEW

The **House** adds intent language requesting that the Michigan State Housing Development Authority (MSHDA) and the Department work collaboratively with other state agencies to use the authorities fund equity to provide senior housing in areas such as independent apartments, assisted living, nursing care and Alzheimer programs. The **Conference Report** concurs with the House.

Sec. 350. Adverse Determination by Health Benefit Plan/External Review Awareness Promotion – NEW

The **House** requires the Department to allocate funds to promote awareness of policy holders to request an external review of an adverse determination by a health benefit plan, after the health carrier's internal grievance process has been exhausted. The **Conference Report** concurs with the House.

Sec. 351. Real Estate Continuing Education – NEW

The **House** includes language that 1) requires the Department to report no later than December 31 to the subcommittees showing the date each real estate continuing education course was submitted for approval and the date of final disposition, approval or denial; 2) the Department will post on its website approved real estate continuing education courses, dates, times, instructors, locations and credit hours of the courses; 3) the Department will make available by November 15, 2003, to the public the precicensure and continuing education course approvals; 4) the legislative intent that sponsors of continuing education be able to report on an applicant's or licensee's completion of courses to the Department electronically by the close of fiscal year 2004. The **Conference Report** concurs with the House.

Sec. 352. Appellate Commission & Magistrate Case Timeliness – NEW

The **House** includes language that requires that expenditures in part 1 be used so that the two bodies decide cases in timely manner. The **Conference Report** includes additional language that requires funding from the Unclassified salaries appropriation line support only 4 worker's compensation appellate commissioners and 27.5 magistrates.

Sec. 353. OBRA Process Review – NEW

The **House** includes new language that requires a review between the Department and stakeholders of existing and new state and federal regulatory requirements to the OBRA process. The **Conference Report** does not include this language.

Sec. 354. Nursing Home Survey – NEW

The **House** includes language that requires the Department's nursing home survey agency to perform its functions in the time frame set forth in the State Operation Manual. If the Department fails to adhere to the timeline of the State Operations Manual the Department will delay the implementation of any enforcement remedy equal to the delay caused by the failure to meet the obligations set forth in the State Operations Manual. The **Conference Report** does not include this language.

Sec. 355. Lead and Lead Paint Testing – NEW

The **House** includes language that before issuing a license for a day care facility the Department shall inspect for the presence of lead and lead-based paint in that facility. The **Conference Report** includes the language, but adds the qualifier that federal funds become available for the program.