

LABOR AND ECONOMIC GROWTH FY 2008-09 Budget Summary: House Bill 5809 (S-1) as passed by the Senate

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	<u>FY 2007-08 YTD</u>	FY 2008-09 Revised Exec 5-7-08	FY 2008-09 House 3-20-2008	FY 2008-09 Senate 5-27-08	Difference: Senate From FY 2007-08 YTD	
					Amount	%
IDG/IDT	34,472,800	\$30,724,200	\$30,724,200	30,724,300	(3,748,500)	(10.9)
Federal	820,712,500	875,637,300	831,637,300	875,637,200	54,924,700	6.7
Local	15,884,700	15,889,200	15,889,200	15,889,200	4,500	0.0
Private	5,314,300	5,314,300	5,314,300	5,314,300	0	0.0
Restricted	389,120,700	385,719,100	385,937,600	386,308,000	(2,812,700)	(0.7)
GF/GP	46,002,700	103,707,800	94,850,100	45,850,100	(152,600)	(0.3)
Gross	\$1,311,507,700	\$1,362,852,700	\$1,364,352,700	\$1,359,723,100	\$48,215,400	3.7
FTEs	4,351.0	4,358.5	4,351.0	4,353.5	(3.0)	0.1

Note: FY 2007-08 figures reflect supplementals, Executive Orders, and legislative transfers through June 24, 2008.

Overview

The Department of Labor and Economic Growth (DLEG) has primary responsibility for the regulatory functions that relate specifically to commercial, business, and workers' issues. It also includes various employment training-related programs for displaced workers, adults, and youth, and employment services for the disabled as well as welfare recipients.

Major Budget Issues

<u>Major Budget Changes From FY 2007-08 YTD Appropriations</u>		<u>FY 2007-08 YTD</u>	<u>Exec Change From YTD</u>	<u>House Change From YTD</u>	<u>Senate Change From YTD</u>
1. Workforce Training Program Subgrantees	Gross	\$184,587,800	\$90,440,800	\$46,440,800	\$50,440,800
The Executive and the House add \$40.0 million GF/GP for the No Worker Left Behind Program. The Revised Executive and Senate increased federal WIA authorization by \$44.0 million to reflect WIA PY 2008-09 allocation. The Executive , House , and Senate increase federal TAA authorization by \$6.4 million.	Federal	184,587,800	50,440,800	6,440,800	50,440,800
	GF/GP	\$0	\$40,000,000	\$40,000,000	\$0
2. Michigan Nursing Corps Program	Gross	\$1,500,000	\$8,500,000	\$8,500,000	(\$1,000,000)
Executive and House add \$8.5 million for the Michigan Nursing Corps program to rapidly prepare new nursing faculty and recruit displaced workers with bachelor's degrees in science to earn an accelerated one-year nursing certification. The Senate reduces by \$1.0 million from YTD.	GF/GP	\$1,500,000	\$8,500,000	\$8,500,000	(\$1,000,000)
3. Office of Financial and Insurance Regulation	FTEs	298.0	50.0	43.0	50.0
The Executive , House , and Senate adds 50.0 FTEs and \$5.4 million in industry-paid fees to improve regulation or maintain statutorily-required regulatory activities related to mortgage lending, payday lending, securities, banking and credit unions, and insurance.	Gross	\$45,903,300	\$5,389,900	\$4,608,400	\$5,389,900
	Federal	50,400	0	0	0
	Restricted	45,852,900	5,389,900	4,608,400	5,389,900
4. OFIR IT System Integration	Gross	N/A	\$1,377,000	\$1,377,000	\$1,377,000
Adds \$1.4 million Restricted for the first year of a two-year IT project integrating OFIR's IT systems concerning insurance, banking, and credit union regulatory activities. (Estimated costs in FY 2010 are \$1.1 million.)	Restricted	N/A	1,377,000	1,377,000	1,377,000

Major Budget Changes From FY 2007-08 YTD Appropriations		FY 2007-08 YTD	Exec Change From YTD	House Change From YTD	Senate Change From YTD
5. Jobs, Education, and Training (JET) Program		FTE 93.0	(36.0)	(36.0)	(36.0)
Reduces by 36.0 positions and \$4.5 million (IDG-DHS) to more accurately reflect program personnel needs and to reflect lower than anticipated referrals to Michigan Rehabilitation Service. The Senate increases funding by \$100.	Gross	\$22,877,800	(\$4,467,600)	(\$4,467,600)	(\$4,467,500)
	IDG	22,877,800	(4,467,600)	(4,467,600)	(4,467,500)
7. MSHDA Payments on Behalf of Tenants		Gross	\$140,000,000	\$5,000,000	\$5,000,000
Adds \$5.0 million Federal for payments on behalf of tenants in the low-income housing choice voucher program.	Federal	140,000,000	5,000,000	5,000,000	5,000,000
8. Remonumentation Grants		Gross	\$14,000,000	(\$3,000,000)	(\$3,000,000)
Decreases authorization for grants based on estimated revenue.	Restricted	14,000,000	(3,000,000)	(3,000,000)	(3,000,000)
9. Occupational Regulation (Commercial Services)		FTEs 156.0	11.0	11.0	11.0
Adds 11.0 FTEs and \$1.0 million Restricted to crack down on unlicensed activity within the accounting, real estate, and building construction industries.	Gross	\$17,651,200	\$1,050,000	\$1,050,000	\$1,050,000
	Restricted	17,651,200	1,050,000	1,050,000	1,050,000
10. LCC: Direct Shipper Enforcement Fund		Gross	N/A	\$120,000	\$120,000
Adds \$120,000 from the Direct Shipper Enforcement Fund related to enforcement of regulations concerning the direct shipment of wine.	Restricted	N/A	120,000	120,000	120,000
12. Internal Audit Consolidation		FTE 5.0	(5.0)	(5.0)	(5.0)
Reduces 5.0 FTEs related to consolidation of internal audit activities within DMB. Funding will remain within DLEG budget, and bill be recorded as an IDG in the DMB budget.	Gross	\$560,100	\$0	\$0	\$0
	Federal	68,700	0	0	0
	Restricted	491,400	0	0	0
13. Human Resources Consolidation		FTE 22.0	(22.0)	(22.0)	(22.0)
Reduces 22.0 FTEs and \$2.4 million related to consolidation of human resources activities within DMB. Also eliminates \$259,700 in HR optimization charges	Gross	\$2,619,800	(\$2,619,800)	(\$2,619,800)	(\$2,619,800)
	Federal	1,800,400	(1,800,400)	(1,800,400)	(1,800,400)
	Restricted	819,400	(819,400)	(819,400)	(819,400)
14. Focus: HOPE		Gross	\$140,000	(\$140,000)	(\$140,000)
Eliminates \$140,000 for a pilot study on improving job placement and retention of welfare recipients.	Restricted	140,000	(140,000)	(140,000)	(140,000)
15. Liquor Enforcement Grants		Gross	\$6,507,000	\$93,000	\$93,000
Adds \$500,000 for liquor law enforcement grants from increased revenue generated from sale of development district and redevelopment project licenses.	Restricted	6,507,000	93,000	93,000	93,000
16. State Office of Administrative Hearings and Rules		Gross	\$3,338,000	\$640,700	\$640,800
Adds 7.0 FTEs and \$640,700 (IDG-DHS) to support the increased volume of administrative hearings concerning DHS benefits. The Senate added a placeholder for teach tenure hearings.	IDG	3,338,000	640,700	640,700	640,800
17. Deaf and Hard of Hearing Interpreters		Gross	N/A	\$75,000	\$75,000
Adds \$75,000 to expand availability of interpreters for the deaf and hard of hearing on account of increase revenue from interpreter testing fees.	Restricted	N/A	75,000	75,000	75,000
18. Fire Protection Grants		Gross	\$10,910,500	\$0	\$1,000,000
The House adds \$1.0 million from the Liquor Purchasing Revolving Fund for fire protection grants to cities with state-owned property. The Executive and Senate maintain current year funding levels.	Restricted	10,910,500	0	1,000,000	0

Major Budget Changes From FY 2007-08 YTD Appropriations		FY 2007-08 YTD	Exec Change From YTD	House Change From YTD	Senate Change From YTD
19. Centers for Independent Living	Gross	\$3,079,700	\$0	\$500,000	\$163,300
The House Increases funding for centers for independent living, which provide supportive services to persons with disabilities, by \$500,000. The Senate increases funding by \$163,300.	Federal	870,200	0	0	0
	Private	100,000	0	0	0
	GF/GP	2,109,500	0	\$500,000	\$163,300
20. FY 2008-09 Economic Increases	Gross	N/A	\$1,994,900	\$1,994,900	\$1,994,900
Includes contractual 1.0% wage increases and adjustments for insurance and retirement (includes \$119,000 Gross for DIT economics).	IDG	N/A	91,300	91,300	91,300
	Federal	N/A	935,000	935,000	935,000
	Local	N/A	4,500	4,500	4,500
	Restricted	N/A	976,700	976,700	976,700
	GF/GP	N/A	(12,600)	(12,600)	(12,600)

Major Boilerplate Changes From FY 2007-08

Sec. 205. Hiring Freeze - RETAINED

Imposes a hiring freeze on the department, and permits the state budget director to grant exceptions to the hiring freeze in certain limited circumstances. The **House** adds an exception to the hiring freeze for the Public Service Commission for House Bill 5524 (the re-write of P.A. 141). The **Executive, House, and Senate** make minor revisions. The **Senate** does not concur with the **House** in providing an exemption for the MPSC.

Sec. 215. Report on Policy Changes - Retained

Requires the department to submit a report on policy changes made to implement recently enacted legislation and prohibiting the department from promulgating administrative rules that have disproportionate impact on small businesses. The **Executive and House** delete this section. The **Senate** retains this section.

Sec. 219. Employee Interaction with Legislature - Retained

Prohibits the department from taking disciplinary action against employees who communicate with the Legislature. The **Executive and House** delete this section. The **Senate** retains this section.

Sec. 222. (Governmental Efficiency Commission - NEW

The **Senate** added language requiring the department to review the determinations of the Legislative Commission on Governmental Efficiency to determine their applicability to the department and the costs and benefits of implementing recommendations.

Sec. 224. (Out-of-State Travel for Training - NEW

The **Senate** added language prohibiting out-of-state travel by more than one departmental employee for professional development or training, except where more than one person is required to attend and travel is funded by non-state resources.

Sec. 225. (Transparency in State Expenditures - NEW

The **Senate** added language requiring the department to develop a website detailing all expenditures made in the fiscal year.

Sec. 319. Unemployment Taxes and PEOs - NEW

The **Senate** added language prohibiting the department from expending funds for the UIA to combine entities within a PEO into a single account or single rate unless there is clear evidence that the primary purpose of the PEO is to reduce the unemployment taxes of the employers.

Sec. 335. MPSC Report on Low Income and Energy Efficiency Fund Grant Awards - RETAINED

Requires the Public Service Commission to issue a report on grant awards from the Low Income and Energy Efficiency Fund. The **Executive** deleted this section. The **House and Senate** retain this section.

Sec. 336. Office of Financial and Insurance Regulation Expenditure Report - RETAINED

Requires OFIR to issue a report on expenditures of each OFIR division in the preceding fiscal year. The **Executive** deletes this section. The **House and Senate** retain this section.

Sec. 337. Credit Scoring in Insurance Rate Setting - DELETED

Prohibits using appropriations for implementing prohibitions on the use of credit scoring in insurance rate setting. The **Executive and House** delete this section. The **Senate** retains this section.

Major Boilerplate Changes From FY 2007-08

Sec. 340. Health Maintenance Organization Quarterly and Annual Reports - RETAINED

Requires OFIR to provide the fiscal agencies with copies of quarterly and annual reports of health maintenance organizations (HMOs). The **Executive** deletes this section. The **House** and **Senate** retain this section.

Sec. 355. Ergonomic Rules - REVISED

Prohibits using funds for promulgation of ergonomic rules that are more stringent than voluntary federal standards. The **Executive** and **House** delete this section. The **Senate** revises this section to state that funding for MIOSHA in part 1 shall only be used to administer worker safety programs, and no funding shall be used to support the Occupational Health Standards Commission or the General Industry Safety Standards Commission.

Sec. 357. Real Estate Law and Rules Book - REVISED

Allocates up to \$50,000 for printing the Real Estate Law and Rules Book (Red Book), and requires the department to make printed copies of the book available at cost. The **Executive**, **House**, and **Senate** delete the allocation of funds for this purpose.

Sec. 365. CET Grants - RETAINED

Allocates at least \$40,000 from the amount appropriated for the Michigan occupational safety and health consultation education and training (CET) grants to nonprofit organizations representing the aggregate industry. The **Executive** and **House** delete this section. The **Senate** retains this section.

Sec. 370(2). Cities of Promise Allocation - DELETED

The **Executive**, **House**, and **Senate** delete the statement of legislative intent allocating at least \$750,000 from the cities of promise blight elimination program to Saginaw and Flint.

Sec. 375. MPSC Low Income and Energy Efficiency Grant Awards Process - RETAINED

Requires the MPSC to set an application deadline of May 1st and award deadline of October 1st for issuing LIEEF grant awards. The **Executive** deletes this section. The **House** and **Senate** incorporate this section into Section 335.

Sec. 376. LCC Report on Revenue Losses - DELETED

Requires the Liquor Control Commission to issue a report by January 15, 2008 on the amount of revenue lost due to out of state liquor purchases for individual consumption or illegal resale. The **Executive**, **House**, and **Senate** delete this provision.

Sec. 377(2). Workforce Investment Act Funds Expenditures - RETAINED

Requires the department to report the amount of workforce investment act funds appropriated in the fiscal year. The **Executive** deletes this provision. The **House** and **Senate** retain this provision.

Sec. 378. SOAHR Decisions in Public Assistance Cases - NEW

The **Senate** adds intent language for the State Office of Administrative Hearings and Rules to work the Center for Civil Justice to develop a system to post on-line SOAHR decisions concerning Medicaid and cash, emergency, and food assistance.

Sec. 403. Local Match of Vocational Rehabilitation Facilities Establishment Grants - DELETED

Sets a maximum local match requirement for vocational rehabilitation facilities establishment grants at 21.3%. The **Executive** deletes this provision. The **House** and **Senate** retain this provision.

Sec. 404. Vocational Rehabilitation Independent Living - REVISED

The **Executive** adds that funds appropriated for vocational rehabilitation independent living not used to match federal funding to be used for the development of new independent living centers in areas currently unserved or underserved. The **House** provides that the \$500,000 increase for this line item may be used for the development of new independent living centers in areas currently unserved or underserved. The **Senate** provides that funds may be used by existing sites to serve underserved areas.

Sec. 407. Workforce Development Boards - REVISED

Requires local workforce boards to establish education advisory groups consisting of school administrators, workforce board members, employers, labor interests, educators, and parents of school children. The **House** and **Senate** permit local boards to add to the education advisory group representatives of organizations that provide school-based curriculum and youth programs on entrepreneurship, work-readiness skills, and financial literacy.

Sec. 408. Enhance Local Access to Baccalaureate Degree Opportunities - DELETED

Statement of legislative intent to identify ways of enhancing local access to baccalaureate programs in applied science and technology through the community college system. Permits funds to be used for a study such programs would be useful and could be developed quickly. The **Executive**, **House**, and **Senate** delete this section.

Major Boilerplate Changes From FY 2007-08

Sec. 432. No Worker Left Behind Report - REVISED

The **Executive** and **Senate** change the dates for the NLWB program from 7/1/2008 for the period 8/1/2007 - 5/30/2008 to a report by 12/15/2009 for the period 10/1/2008 - 9/30/2009. The **House** retained the current dates, but update the year. The **Senate** also requires a report by 12/15/2008 for the period 10/1/2007 - 9/30/2008.

Sec. 432a. No Worker Left Behind - NEW

The **House** adds boilerplate concerning the \$40.0 million increase in funding for NWLB. The section allocates \$30.0 million for worker training in in-demand fields, \$5.0 million for adult basic education, remedial education, and other training for individuals not ready for post-secondary training; and \$5.0 million for capacity building at community colleges and other public, associates-degree granting institutions. The House also requires funds to be used to provide training to food stamp recipients and distributed in a manner that leverages federal, local, and private funds. The House Committee also adds intent language requiring the department to work with local workforce development partners and the Lewis College of Business to assist the college in participating in the program, and adds language permitting a portion of the \$30.0 million allocated for training to be utilized by libraries to assist in providing training in in-demand occupations, based on demonstrated need. The **Senate** retains the overall structure of the House language. It allocates at least \$70.0 million for the program and, without setting specific amounts, directs that funds be used for worker training, adult education, and capacity building at community colleges. The Senate does not provide funds to community colleges through a competitive granting process, and does not include the House's provisions regarding the Lewis College of Business or the allocation of funds to public libraries.

Sec. 437. Welfare to Work – REVISED

Allocates \$140,000 to Focus: Hope to design a pilot program to improve job placement and retention of welfare recipients. Directs Focus: Hope to work collaboratively with Department of Human Services Jobs, Employment, Training Program and Michigan community colleges and universities. The **Executive**, **House**, and **Senate** delete this section. The **Senate** adds language allocating \$200,000 for one grant to expand a program of an employer that (1) focuses on retaining low-wage workers receiving public assistance; (2) has at least an 80% retention rate; (3) includes more than one employer; (4) has a DHS caseworker on the employer's worksite; splits the costs of the case worker with federal TANF funds and the employer's own funds; (6) provides life and work-related skills training; (7) impacts at least three counties; and (8) includes partnerships with local government, nonprofits, and community colleges.

Sec. 439. Land Bank Fast Track Authority - REVISED

Allocates \$400,000 from LBFTA funds appropriated in part 1 to be used for additional maintenance or demolition of tax reverted property. The **Executive** and **Senate** delete this section. The **House** retains this section, but reduces the allocation from \$400,000 to a \$100 placeholder.

Sec. 439. Focus: HOPE Career Prep Pilot Program - NEW

The **Senate** added language providing a \$100 placeholder allocation to Focus: HOPE to implement a pilot career prep program for welfare recipients in Genesee and Wayne counties, based on the program designed from funds provided in FY 2007-08 (2007 PA 118, Section 437).

Sec. 440. Gang Diversion - NEW

The **Senate** adds language setting aside a portion of the WIA Statewide Activities funds to support coordinated activities of the local Michigan Works! agency and law enforcement for gang diversion activities and support services to at-risk youth Wyoming, Detroit, and Benton Harbor.

Sec. 441. SOAHR Teacher Tenure Hearings - NEW

The **Senate** added language specifying the \$100 GF/GP placeholder for SOAHR is to be used to reduce the backlog of teacher tenure cases.