

**Summary: Conference Report**  
**DEPARTMENT OF LABOR AND ECONOMIC GROWTH**  
**FY 2004-05 House Bill 5521 (S-1) CR-1**



**Analyst: Steve Stauff**

	FY 2003-04 YTD (as of 2/12/04)	Revised (5/27/04) Executive	House	Senate	Conference	Difference: Conference from 2003-04 YTD	
						Amount	%
<b>IDG/IDT</b>	\$212,000	\$515,200	\$515,200	\$515,200	\$515,200	\$303,200	143.0
<b>Federal</b>	752,792,300	836,629,400	792,502,100	815,583,000	836,502,100	62,790,700	8.3
<b>Local</b>	15,011,900	15,745,900	15,244,600	15,669,600	15,669,600	657,700	4.4
<b>Private</b>	4,019,400	4,140,100	4,140,100	4,140,100	4,140,100	120,700	3.0
<b>Restricted</b>	317,858,500	297,760,900	297,914,500	298,179,100	290,500,600	(19,679,400)	(6.2)
<b>GF/GP</b>	78,680,501	79,687,100	108,795,000	110,897,200	94,538,000	32,216,699	41.0
<b>Gross</b>	<b>\$1,168,574,601</b>	<b>\$1,234,478,600</b>	<b>\$1,219,111,500</b>	<b>\$1,244,984,200</b>	<b>\$1,241,865,600</b>	<b>\$76,409,599</b>	<b>6.5</b>
<b>FTEs</b>	4,723.0	4,302.0	4,297.0	4,307.0	4,307.0	(416.0)	(8.8)

Note: FY 2003-04 YTD numbers do not include financial adjustments between departments of DLEG, FIA, DCH, or State Police pursuant to EO 2003-18. This first column does represent the combined YTD amounts of what was known as the Department of Consumer and Industry Services, the Department of Career Development and the Michigan Strategic Fund.

### **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 activities within the previous Department of Career Development such as various employment training-related programs for displaced workers, adults and youth, and employment services for the disabled as well as welfare recipients. The Department also houses the Michigan Strategic Fund, an autonomous agency which reports to the Director of DLEG. The fund's programs are administered by the Michigan Economic Development Corporation, with the primary task of promoting economic development in Michigan.

### **Major Budget Changes**

#### **from FY 2003-04 YTD Appropriations:**

		Revised Executive	House	Senate	Conference
<b>1. Michigan Commission for the Blind – Gross</b>		<b>\$0</b>	<b>\$165,000</b>	<b>\$425,000</b>	<b>\$425,000</b>
<b>Additional Match</b>					
Local		0	0	425,000	425,000
GF/GP		\$0	\$165,000	\$0	\$0

The **House** increased GF/GP by \$165,000 to maximize available matchable federal funds. On April 21, 2004, a revised budget Recommendation from the Governor included an increase of \$425,000 of local authorization to reflect an increase of local funding that could be used to draw down federal dollars. **Senate** did not include the \$165,000 GF/GP but concurred with Governor's revised Executive Recommendation. The **Conference Report** includes the Senate version.

## Major Budget Changes

from FY 2003-04 YTD Appropriations:

		Revised Executive	House	Senate	Conference
<b>2. Michigan Broadband Development Authority</b>					
Gross		\$0	\$0	\$1,296,600	\$1,296,600
Rest		\$0	\$0	\$1,296,600	\$1,296,600
<p><b>Senate</b> includes new part 1 unit authorization for administrative costs of the Michigan Broadband Development Authority. Authorized for expenditure is the restricted revenue source Michigan Broadband Development Authority Fees and Charges revenue. The <b>Conference Report</b> includes the Senate version.</p>					
<b>3. Fire Protection Grants</b>					
Gross		\$12,210,500	\$12,210,500	\$12,210,600	\$3,500,000
Rest		12,210,500	12,210,500	12,210,600	3,500,000
<p>Although the FY 2003-04 Fire Protection Grants authorization amounted to \$15,839,000, this authorization currently only has revenue supporting it in the amount of \$3,710,500 since statutory changes did not occur to increase the deposit to the <i>Liquor Purchase Revolving Fund</i> by \$12,128,500. The FY 2004-05 <b>Executive Recommendation</b> supports a gross authorization of \$15,921,000, funded by \$7,421,000 of <i>Liquor Purchase Revolving Fund</i> revenue and \$8,500,000 of <i>Fire Protection Fund</i> revenue. The <b>House</b> concurs but modifies boilerplate contingency language in Sec. 347. <b>Senate</b> action adds \$100 to create a point of difference. The <b>Conference Report</b> includes Gross funding of \$7,210,500 for fire protection grants. Funding is broken down, \$3.5 million from the <i>Fire Protection Fund</i> and \$3,710,500 from the <i>Liquor Purchase Revolving Fund</i>. Companion boilerplate states that an additional \$3.7 million will be appropriated if House Bill 5313 generates more than \$18.0 million in revenues.</p>					
<b>4. Job Training Programs Subgrantees</b>					
Gross		\$6,000,000	\$6,000,000	\$21,000,000	\$21,000,000
Fed		6,000,000	6,000,000	21,000,000	21,000,000
GF/GP		\$0	\$0	\$0	\$0
<p>The <b>House</b> concurred with the original <b>Executive Recommendation</b> on the appropriation of Federal Reed Act funds from three appropriation year 2002 work project accounts totaling \$6.0 million. Work project cancellation and balance information is found in Sec. 430. On April 21, 2004, a revised budget recommendation from the <b>Governor</b> included an increase of \$15.0 million of federal Workforce Investment Act authorization to reflect anticipated revenue. <b>Senate</b> concurred with the new total change of \$21.0 million. The <b>Conference Report</b> includes the Senate version. It also included an additional \$1.0 million WIA funding from the <i>Michigan Virtual University</i> line and \$1.0 million Reed Act funds sent to the <i>Welfare-to-Work</i> line.</p>					
<b>5. Volunteer Investment Grants</b>					
Gross		\$0	(\$280,100)	(\$280,000)	(\$280,100)
GF/GP		\$0	(\$280,100)	(\$280,000)	(\$280,100)
<p>The <b>House</b> removes from the <i>Michigan Community Service Commission Subgrantees</i> appropriation line, the entire funding for the Volunteer Investment Grants. <b>Senate</b> creates a \$100 difference. The <b>Conference Report</b> includes the House version.</p>					

## Major Budget Changes

### from FY 2003-04 YTD Appropriations:

#### 6. Welfare-to-Work Programs

The original **Executive** recommendation was based on a reduction of \$20.0 million federal Welfare-to-Work as the funding is no longer available. Also, approximately \$66.1 million of federal Reed Act funding which had been available in FY 2003-04 through a FY 2001-02 work project account, will be offset with appropriated lapsing work project Reed Act funding in the amount of \$15.3 million, \$10.9 million of TANF and \$39.9 million GF/GP. The **House** reduces the GF/GP by \$10.0 with an offset appropriation in the FIA budget of \$10.0 million. Federal Reed Act funds are appropriated from four AY 2002 work project accounts to make up the \$15.3 million. Work project cancellation and balance information is found in Sec. 430. **Senate** concurs with the House but appropriates the FIA TANF \$10.0 million within this budget bill. The Executive through a letter date May 27, 2004, revises the recommendation by reducing GF/GP by \$29.0 million and increasing the Federal deduct, TANF, by \$29.0 million. An **Executive Revision** requested that \$29.0 million GF/GP be swapped for a like amount of available TANF funding. The **Conference Report** includes the Revised Executive recommended funding amount, but as well transfers in from the *Job Training Program Subgrantees* line \$1.0 million of Reed Act funding and transfers out \$1.0 million GF/GP to the *Michigan Virtual University* line.

		Revised Executive	House	Senate	Conference
<b>Gross</b>		<b>\$46,100,000</b>	<b>\$36,100,000</b>	<b>\$46,100,000</b>	<b>\$46,100,000</b>
Fed		35,200,000	6,200,000	16,200,000	36,200,000
GF/GP		\$10,900,000	\$29,900,000	\$29,900,000	\$9,900,000

#### 7. Pre-College Programs in Engineering and the Sciences

**Senate** action includes additional funding for the Detroit and Grand Rapids pre-college engineering programs. The **Conference Report** includes an additional \$180,100 to the current year amount of \$500,000.

<b>Gross</b>	<b>\$0</b>	<b>\$0</b>	<b>\$280,100</b>	<b>\$180,100</b>
GF/GP	\$0	\$0	\$280,100	\$180,100

#### 8. Information Technology Reduction

The **Executive** recommended and **House** passed an increase for information technology based on Fire Marshall and Health Regulatory & Licensing shifts due to EO 2003-18, restricted and federal fund source shifts, the transfer of contract management responsibilities from the unemployment area, employee economics and employee related savings. **Senate** concurs with its subcommittee and reduces the entire line and each revenue source by 7%, equating to a gross reduction of \$2,961,600. The **Conference Report** includes the House version, but reduces the IT line by \$149,100 GF/GP representing certain efficiencies to be realized as negotiated as part of the target agreement.

<b>Gross</b>	<b>\$16,828,800</b>	<b>\$16,829,400</b>	<b>\$13,867,800</b>	<b>\$16,679,700</b>
Fed	16,961,600	16,961,600	15,042,600	16,961,600
Rest	(223,500)	(223,500)	(1,255,600)	(223,500)
GF/GP	\$90,700	\$91,300	\$80,800	(\$58,400)

## Major Budget Changes

from FY 2003-04 YTD Appropriations:

		Revised Executive	House	Senate	Conference
<b>9. Technology Tri-Corridor: Life Sciences Initiative</b>	<b>Gross</b>	<b>\$0</b>	<b>\$0</b>	<b>\$5,000,000</b>	<b>\$15,000,000</b>
	Rest	0	0	0	0
	GF/GP	\$0	\$0	\$5,000,000	\$15,000,000
<p>The <b>Executive</b> proposed no changes. The <b>House</b> changes the name of the <i>Life Sciences and Technology Tri-Corridor: Life Science Initiative</i> to the <i>Technology Tri-Corridor: Life Sciences Initiative</i>. <b>Senate</b> concurs with the House on the name change and adds \$5.0 million GF/GP. The <b>Conference Report</b> includes an additional \$15.0 million to the Executive recommended amount of \$15.0 million, totaling \$30.0 million.</p>					
<b>10. Technology Tri-Corridor: Homeland Security Initiative ***NEW***</b>	<b>Gross</b>	<b>\$0</b>	<b>\$5,000,000</b>	<b>\$1,000,000</b>	<b>\$0</b>
	GF/GP	\$0	\$5,000,000	\$1,000,000	\$0
<p>The <b>House</b> creates this new appropriation and funds it with \$5.0 million GF/GP. <b>Senate</b> concurs with the line creation but reduces funding to \$1.0 million. The <b>Conference Report</b> did not include.</p>					
<b>11. Technology Tri-Corridor: Automotive Initiative ***NEW***</b>	<b>Gross</b>	<b>\$0</b>	<b>\$5,000,000</b>	<b>\$1,000,000</b>	<b>\$0</b>
	GF/GP	\$0	\$5,000,000	\$1,000,000	\$0
<p>The <b>House</b> creates this new appropriation and funds it with \$5.0 million GF/GP. <b>Senate</b> concurs with the line creation but reduces funding to \$1.0 million. The <b>Conference Report</b> did not include.</p>					
<b>12. Michigan Center for Excellence In Manufacturing ***NEW***</b>	<b>Gross</b>	<b>\$0</b>	<b>\$0</b>	<b>\$5,000,000</b>	<b>\$0</b>
	GF/GP	\$0	\$0	\$5,000,000	\$0
<p><b>Senate</b> concurs with its subcommittee in the creation of this new appropriation line and funds it with \$5.0 million GF/GP. The <b>Conference Report</b> did not include.</p>					
<b>13. \$100 Points of Difference</b>	<b>Gross</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$2,600)</b>	<b>\$0</b>
	Rest	0	0	0	0
	GF/GP	\$0	\$0	(\$2,600)	\$0
<p><b>Senate</b> creates a negative \$100 GF/GP point of difference from the House version in each appropriation line with a GF/GP authorization. Also creates a positive \$100 point of difference in the OFIS <i>Financial Evaluation</i> line and a negative \$100 difference in the <i>Right of Way Oversight Authority</i> line. The <b>Conference Report</b> did not include.</p>					
<b>14. Year-End Salary and Benefit Cost Adjustment/SERS Actuarial Savings</b>	<b>Gross</b>	<b>(\$223,000)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$223,000)</b>
	GF/GP	(\$223,000)	\$0	\$0	(\$223,000)
<p>The <b>Executive</b> sent a budget recommendation revision letter on May 27, 2004, reducing GF/GP in four line items to reflect the change in methodology for allocating year-end salary and fringe benefit costs between fiscal years and to reflect savings due to a recent actuarial experience study for the State Employee Retirement System. Neither the <b>House</b> nor <b>Senate</b> has had an opportunity to address these. The <b>Conference Report</b> included the Executive revision.</p>					

## **Major Boilerplate Changes from FY 2003-04:**

### ***Sec. 215. Contingency Fund Language – NEW/DELETED***

**Executive** and **House** included language that authorizes the Department to receive amounts not to exceed \$71.5 million in federal, \$15.2 million in state restricted, \$8.2 million in local, and \$1.6 million in private contingency funding; requires that this funding be transferred to another line item via the legislative transfer process in order to be available for expenditure. **Senate** does not include. The **Conference Report** did not include.

### ***Sec. 217. Travel Expenditure Limitations – NEW/MODIFIED***

**Senate** includes language that excludes any part 1 appropriation from being used for travel outside of Michigan unless that travel is statutorily required to regulate businesses that are headquartered in another state but have a presence in Michigan. The statutorily mandated travel cannot exceed the previous FY 2003-04 amounts. The balance of the FY 2004-05 travel expenditures are limited to 50% of the amount used in FY 2003-04 unless it is for job creation or retention purposes. The **Conference Report** included new language as prescribed by the target agreement.

### ***Sec. 330. Customer Options in Remote Initial Claims System – DELETED/RESTORED***

The **Executive** and **House** deleted current year language that requires the Bureau of Worker's and Unemployment Compensation (BWUC) to provide within the system an option for callers to speak to a BWUC employee; also requires that the BWUC continue to provide job training opportunities to employees affected by implementation of the new system. **Senate** retains current law. The **Conference Report** includes the Senate recommendation.

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

The **Executive** recommended deleting the current law. The **House** retained the current language. **Senate** retains language requiring the Public Service Commission to report by June 1 each year on the distribution of funds appropriated in part 1 for the program. What is not included of current law is language that requires that \$3.0 million of the part 1 appropriation shall be allocated to Community Action Agencies to support shut-off programs for low-income individuals. New language is added that requires that all monies deposited into this fund from Detroit Edison be disbursed solely within the Detroit Edison distribution service area. The **Conference Report** includes current year language but removes the carve-out language for the Community Action Agencies.

### ***Sec. 347. Fire Protection Grants Funding Contingency – MODIFIED***

The **Executive** and **House** agreed on language requiring that \$3,710,500 of the appropriated liquor purchase revolving fund authorization in part 1 for fire protection grants be contingent on the passage of statutory changes made by September 30, 2004, increasing the deposit into the fund by \$30.0 million. The **House** added language requiring that any deficiency in the \$8.5 million appropriated from the fire protection fund will be made up with an appropriation from the liquor purchase revolving fund, again contingent on the statutory change and the revenue generation amount already mentioned. **Senate** concurred but deleted the language added by the House. The **Conference Report** included target agreement language that says \$3.7 million shall be appropriated contingent upon the enactment of House Bill 5313 of the 92<sup>nd</sup> Legislature and the meeting of the threshold conditions on revenue.

### ***Sec. 355. Ergonomics – NEW/DELETED***

The **House** added language requiring that from funds appropriated in part 1, no funds shall be used to support the development, or activities that promote the development of guidelines, rules, protocols, rules or standards more stringent than federal voluntary ergonomics guidelines. Individuals may adopt or work with the state to develop voluntary ergonomic standards. **Senate** concurred. The **Conference Report** did not include this language.

### ***Sec. 358. Real Estate Education Fund – NEW***

**Senate** includes new language that would require that real estate prelicensure and post licensure education is delivered through on line courses by a community college, university or private school after licensure and approved by the Department. The language would also allow monies within the Real Estate Education Fund, a fund established in the State License Fee Act, to be used by the Department for grants to be given to educational providers to establish on-line courses made available to students throughout the year. The **Conference Report** includes the Senate language.

### ***Sec. 359. Real Estate Granting and Renewal Processing Time Limits – NEW/DELETED***

**Senate** includes legislative intent language that the Department grants and renews all real estate licenses within 30 days of receipt of the completed application and that if a backlog occurs, a 60 day temporary license would be issued. The **Conference Report** does not include this language.

### ***Sec. 360. Real Estate Continuing Education Credit Tracking System – NEW***

**Senate** includes language that requires the Department to create a real estate continuing education credit tracking system to be made available to licensees. The **Conference Report** includes this language.

## **Major Boilerplate Changes from FY 2003-04:**

### ***Sec. 361. Land Bank Fast Track Authority – NEW***

**Senate** language allows the Land Bank Fast Track Authority to expend revenues received under 2003 PA 258 to acquire, lease, manage, demolish, maintain or rehabilitate real or personal property, pay debt service for notes or bonds issued by the authority, and any other expenses to clear or quiet title property held by the authority. The **Conference Report** includes this language.

### ***Sec. 362. Administration and Enforcement of Boxing Regulation – NEW***

**Senate** includes legislative intent language which requires that any additional responsibilities associated with the administration and enforcement of boxing regulation be accompanied by the passage and statutory changes that would provide an adequate fee structure to support those activities within the Department. The **Conference Report** includes the Senate language as subsection (2) and combines it with the House intent language stipulating that the Department may use \$200,000 for the administration and enforcement of boxing regulation in Michigan from funds appropriated in part 1 of the bill.

### ***Sec. 363. Worker's Compensation Board of Magistrates Vacancy – DELETED/RESTORED***

The **Executive** and **House** agreed upon the deletion of current year Sec. 348, intent language that provided that the next vacancy on the Worker's Compensation Board of Magistrates be filled by an individual who is a permanent resident of the Upper Peninsula. **Senate** retained the current law and rennumbers as Sec. 363. The **Conference Report** includes.

### ***Sec. 364. Michigan Broadband Development Authority Administrative Cost Allocation Report – NEW***

**Senate** includes language which requires the Department to provide a report by January 1 on the total administrative costs allocated for the Michigan Broadband Development Authority. The **Conference Report** includes this language.

### ***Sec. 409. Precollege Programs in Engineering – MODIFIED***

**Senate** modified the amounts given to the Detroit and Grand Rapids precollege engineering programs from \$250,000 each to \$390,050 each. The **Conference Report** allocates \$340,050 to each.

### ***Sec. 410. Disabled Veterans Outreach Program – DELETED/RESTORED***

**Executive** and **House** deleted current year Sec. 311 language which required certain staffing levels for disabled veterans outreach program specialists and local veterans employment representatives to assist veterans within Michigan Works! employment service centers. **Senate** retained current year language. The **Conference Report** retains current year language.

### ***Sec. 428. Michigan Virtual University (MVU) – MODIFIED***

The **Conference Report** includes modified MVU language requiring that the \$1.0 million in part 1 be GF/GP and the allocation shall support the Michigan Virtual High school as described in Sec. 98 of the State School Aid Act of 1979, 1979 PA 94, MCL 388.1698.

### ***Sec. 430. Reed Act Fund Work Project Guidance – NEW***

**Executive** and **House** included language that describes the federal Reed Act work project accounts that are cancelled and stipulates the use of certain balances for the Welfare-to-Work and the Job Training Programs Subgrantees appropriation lines. **Senate** adds a new subsection (5) that says further that these funds shall be used to support job search and job readiness activities and to support one-stop center operations. The **Conference Report** contains Senate language.

### ***Sec. 501(4). Economic Development Job Training (EDJT) Grants – MODIFIED***

**Executive** and **House** language reduces from 75% to 70% the total funds appropriated in part 1 to fund the EDJT grants that shall be awarded to community colleges or a consortium of community colleges. **Senate** maintains the current year percentage of 75%. The **Conference Report** includes the Senate percentage.

### ***Sec. 510. Technology Tri-Corridor – MODIFIED***

**House** language made changes in the following subsections: (1) now allows the \$25.0 million to be used for Technology Tri-Corridor initiatives; removes stipulation that homeland security and automotive initiatives could only be funded with tribal gaming revenue, (2) the Life Sciences and Technology Tri-Corridor steering committee would be changed to the Technology Tri-Corridor steering committee, and membership of the Western Michigan University representative is no longer limited to just FY 2003-04, (3) commercialization research opportunities will be supported \$5.5 million life sciences, \$2.5 million homeland security and \$2.5 million automotive, (4) language is deleted that required funding for homeland security and automotive initiative proposals contain a life sciences component. **Senate** in subsection (1) reduces the Technology Tri-Corridor amount to \$22.0 million, (3) reduces administration caps for homeland security and automotive initiatives to \$500,000 each, (4) requires that proposals receiving funding under the homeland security and automotive initiative to complement proposals funded under the new Michigan Center for Excellence in Manufacturing Initiative, (7)\*\*NEW\*\* and creates a new subsection providing intent language that the steering committee adopt a

## **Major Boilerplate Changes from FY 2003-04:**

proposal that would allow for representation from each of the higher education institutions not listed in subsection (2) on a rotating basis. The **Conference Report** maintained current year language and added a \$1.5 million allocation to market the core technology alliance and create a good manufacturing practices facility.

### ***Sec. 520. Boxing Enforcement and Regulation – NEW***

**House** included new language indicating that \$200,000 of the funds appropriated in the Michigan Promotion Program line may be used for administration and enforcement of boxing regulation in Michigan. **Senate** did not include. Please see Sec. 362 above.

### ***Sec. 521. State Clearinghouse on Entrepreneurship – NEW***

**Executive** and **House** included language that designates \$100,000 from available resources to create and administer a state clearinghouse on entrepreneurship available to the public through the internet. **Senate** specified that the funding source for the clearinghouse shall be “Indian casino revenue”. The **Conference Report** includes language that allows other funding to be used as well.

### ***Sec. 522. Michigan Center for Excellence In Manufacturing – NEW***

**Senate** language specifies that the funding appropriated in part 1 for the Michigan Center for Excellence In Manufacturing shall be used to develop or enhance research and development activities in the Michigan manufacturing industry. Funding will be used to provide advisory services, educational programs, internships and federal grant procurement assistance. Administrative support shall be provided by the fund. It is also states that it is the intent of the legislature that support of this initiative should come from all available resources including, but not limited to, the Community Development Block Grant program, the Economic Development Job Training grants, the Michigan Economic Growth Authority and the Technology Tri-Corridor Initiative. The **Conference Report** modifies the language to refer only to a feasibility study funded in the amount of \$100,000 from the Administration line of the Michigan Strategic Fund unit.