

Summary: House Passed
DEPARTMENT OF LABOR AND ECONOMIC GROWTH
FY 2004-05 House Bill 5521



Analyst: Steve Stauff

	FY 2003-04 YTD (as of 2/12/04)	Executive	House	Senate	Enacted	Difference: House Passed from FY 2003-04 YTD	
						Amount	%
IDG/IDT	\$212,000	\$515,200	\$515,200			\$303,200	143.0
Federal	752,792,300	792,629,400	792,502,100			39,709,800	5.3
Local	15,011,900	15,320,900	15,244,600			232,700	1.6
Private	4,019,400	4,140,100	4,140,100			120,700	3.0
Restricted	317,858,500	297,760,900	297,914,500			(19,944,000)	(6.3)
GF/GP	78,680,501	108,910,100	108,795,000			30,114,499	38.3
Gross	\$1,168,574,601	\$1,219,276,600	\$1,219,111,500			\$50,536,899	4.3
FTEs	4,723.0	4,302.0	4,297.0			(426.0)	(9.0)

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.

Summary of FY 2004-05 Major Budget Issues

Executive Order 2003-18, Creation of DLEG

The EO 2003-18 contained a number of department and agency structural changes resulting in the new Department of Labor and Economic Growth. The financial impact was an approximate decrease of \$41.6 million gross, decrease of \$9.7 GF/GP, to the combined units previously known as the Department of Consumer and Industry Services, the Department of Career Development and the Michigan Strategic Fund.

Fire Protection Grants Fully Funded

Full funding of fire protection grants is included in the amount of \$15.9 million. The fund sources proposed are the Liquor Purchase Revolving Fund (LPRF) at \$7.4 million and the Fire Protection Fund at \$8.5 million. Contingency boilerplate language requires passage of statutory changes by September 30, 2004, increasing the deposit into the fund by \$30.0 million. It also requires that any deficiency in the \$8.5 million appropriated from the Fire Protection Fund will be made up with an appropriation from the LPRF.

Welfare-to-Work Program Reduction and Funding Change

Program reduction of \$20.0 million federal Welfare-to-Work funding 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 \$29.9 million GF/GP, and \$10.0 million TANF appropriated within the FIA budget.

Major Budget Changes from FY 2003-04 YTD Appropriations:		FY 2003-04 YTD (as of 2/12/04)	House Change
1. EO 2003-18, Creation of DLEG	Gross	\$1,168,574,601	(\$41,546,000)
House: The EO 2003-18 contained a number of department and agency structural changes resulting in the formation of the Department of Labor and Economic Growth. The financial impact was an approximate decrease of \$41.6 million gross, decrease of \$9.7 million GF/GP, to the combined units previously known as the Department of Consumer and Industry Services, the Department of Career Development and the Michigan Strategic Fund.	IDG	212,000	0
	Federal	752,792,300	(10,523,200)
	Local	15,011,900	75,000
	Private	4,019,400	120,700
	Restricted	317,858,500	(21,514,300)
	GF/GP	\$78,680,501	(\$9,704,200)
Executive change: (\$41,546,000)			
2. Michigan Commission for the Blind – Federal Match	Gross	\$17,424,900	\$165,000
House: An increase of \$165,000 GF/GP to maximize available matchable federal funds.	Federal	11,853,200	0
	Local	75,000	0
	Private	102,700	0
	Restricted	1,704,300	0
	GF/GP	\$3,689,700	\$165,000
Executive change: \$0			
3. Fire Protection Grants	Gross	\$3,710,500	\$12,210,500
House: 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 recommendation 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. Authorization contingency language is found in boilerplate Sec.347.	Restricted	3,710,500	12,210,500
Executive change: \$12,210,500			
4. Reduction of the Low-Income Energy Efficiency Assistance Program Funding	Gross	\$57,000,000	(\$12,000,000)
House: The <i>Low income energy efficiency fund</i> authorization, which is overseen by the Public Service Commission, has been reduced by \$12.0 million. The reduction reflects the anticipated restricted revenue to be received from securitization savings that exceeded the amount needed to achieve a 5% electric rate reduction for residential and business customers. The Detroit Edison Company is the only electric utility whose securitization savings exceed the amount necessary to fund the rate reduction required in 2000 PA 141, and is the only company contributing to the Fund. The Fund provides shut-off protection to low-income customers and promotes energy efficiency by all customer classes.	Restricted	57,000,000	(12,000,000)
Executive change: (\$12,000,000)			
5. Job Training Programs Subgrantees	Gross	\$98,612,700	\$6,000,000
House: Federal Reed Act funds are appropriated from three appropriation year (AY) 2002 work project accounts totaling \$6.0 million. Work project cancellation and balance information is found in Sec. 430.	Federal	98,602,700	6,000,000
	GF/GP	\$10,000	\$0
Executive change: \$6,000,000			
6. Volunteer Investment Grants	Gross	\$280,100	(\$280,100)
House: Removes from the <i>Michigan Community Service Commission Subgrantees</i> appropriation line, the entire funding for the Volunteer Investment Grants. Grants are given to community-based organizations that serve as a volunteer resource center.	GF/GP	\$280,100	(\$280,100)
Executive change: \$0			

<u>Major Budget Changes from FY 2003-04 YTD Appropriations:</u>		FY 2003-04 YTD (as of 2/12/04)	House Change
7. Welfare-to-Work Programs	Gross	\$67,698,600	\$36,100,000
House: Program 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 \$29.9 million GF/GP, and \$10.0 million TANF appropriated within the FIA budget. 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.	Federal	60,399,000	6,200,000
Executive change: \$46,100,000	GF/GP	\$7,299,600	\$29,900,000
8. Employee Economics	Gross	N/A	\$34,462,700
House: Employee related economics reflect both FY 2003-04 and FY 2004-05 base adjustments for salaries, wages and fringes.	IDG	N/A	6,800
Executive change: \$34,462,700	Federal	N/A	19,605,300
	Local	N/A	234,000
	Restricted	N/A	14,170,400
	GF/GP	N/A	\$2,446,200
9. Employee Related Savings	Gross	N/A	(\$11,287,800)
House: Employee related savings to be achieved through employee concessions.	IDG	N/A	(3,600)
Executive change: (\$11,287,800)	Federal	N/A	(6,142,600)
	Restricted	N/A	(4,398,100)
	GF/GP	N/A	(\$743,500)
10. Tri-Corridor Initiatives	Gross	\$15,000,000	\$10,000,000
House: The <i>Life Sciences and Technology Tri-Corridor: Life Sciences Initiative</i> line name is changed to the <i>Technology Tri-Corridor: Life Sciences Initiative</i> and the funding remains the same as in FY 2003-04. An additional two lines are created and funded; the <i>Technology Tri-Corridor: Homeland Security Initiative</i> , \$5.0 million GF/GP; and the <i>Technology Tri-Corridor: Automotive Initiative</i> , \$5.0 million GF/GP.	Restricted	10,000,000	0
Executive change: \$0	GF/GP	\$5,000,000	\$10,000,000

Major Boilerplate Changes from FY 2003-04:

Sec. 215. Contingency Fund Language – NEW

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.

Sec. 216. Disaggregate Revenue Sources – NEW

Intent language that part 1 revenue sources not be aggregated but should be detailed out within the bill as much as possible.

Sec. 320. Unemployment Agency Offices in Upper Peninsula – DELETED

Provides that the Bureau of Worker's and Unemployment Compensation, during its transition to the remote initial claims system, may operate a sufficient number of offices within the Upper Peninsula to ensure access to offices without excessive travel or long distance phone charges.

Sec. 330. Customer Options in Remote Initial Claims System – DELETED

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.

Major Boilerplate Changes from FY 2003-04:

Sec. 347. Fire Protection Grants Funding Contingency – MODIFIED

Requires 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. It also requires 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.

Sec. 355. Ergonomics – NEW

Requires 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.

Sec. 356. Michigan Commission for the Blind/Federal Match – NEW

Intent language that the Michigan Commission for the Blind work collaboratively with service organizations to identify qualified match dollars to maximize use of available federal funds.

Sec. 357. Remonumentation Funding – NEW

If there is insufficient funding in part 1 for remonumentation grants the Department is encouraged to request additional authorization to meet program objectives.

Sec. 311. Disabled Veterans Outreach Program – DELETED

Requires certain staffing levels for disabled veterans outreach program specialists and local veterans employment representatives to assist veterans within Michigan Works! employment service centers.

Sec. 405(15). Family Independence Agency Welfare-to-Work Funding – NEW

Requires the Department to develop a memorandum of understanding with FIA outlining the distribution of the \$10.0 million Work First program funding appropriated in FIA.

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

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.

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

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.

Sec. 510. Technology Tri-Corridor – MODIFIED

Makes 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.

Sec. 520. Boxing Enforcement and Regulation – NEW

New language is included 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.

Sec. 521. State Clearinghouse on Entrepreneurship – NEW

New language is included that designates \$100,000 from available resources to create and administer a state clearinghouse on entrepreneurship available to the public through the internet.