



# **Budget Briefing: Licensing and Regulatory Affairs**

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January 2017

# Briefing Topics

- Funding Sources
- Appropriation Areas
- Major Budget Topics

# Department of Licensing and Regulatory Affairs

The Department of Licensing and Regulatory Affairs (LARA) is responsible for overseeing agencies and programs that regulate commercial and occupational activities, construction and fire safety, health care and human service, energy and public utilities, and alcoholic beverage activities, entities, and facilities in the state.

Agencies within LARA are also responsible for implementing, administering, and enforcing occupational safety and health standards, labor and wage laws, and workers' compensation requirements, as well as providing vocational rehabilitation services for the blind.

Agencies within LARA conduct administrative hearings for departments statewide, provide staff support for ethnic affairs commissions, and administer several grants awarded to local units of government.

# Key Budget Terms

**Fiscal Year:** The state's fiscal year (FY) runs from October to September. FY 2016-17 is October 1, 2016 through September 30, 2017.

**Appropriation:** Authority to expend funds. An appropriation is not a mandate to spend. Constitutionally, state funds cannot be expended without an appropriation by the Legislature.

**Line Item:** Specific appropriation amount in a budget bill which establishes spending authorization for a particular program or function.

**Boilerplate:** Specific language sections in a budget bill which direct, limit, or restrict line item expenditures, express legislative intent, and/or require reports.

**Lapse:** Appropriated amounts that are unspent or unobligated at the end of a fiscal year. Appropriations are automatically terminated at the end of a fiscal year unless designated as a multi-year work project under a statutory process. Lapsed funds are available for expenditure in the subsequent fiscal year.

Note: Unless otherwise indicated, historical budget figures in this presentation have not been adjusted for inflation.

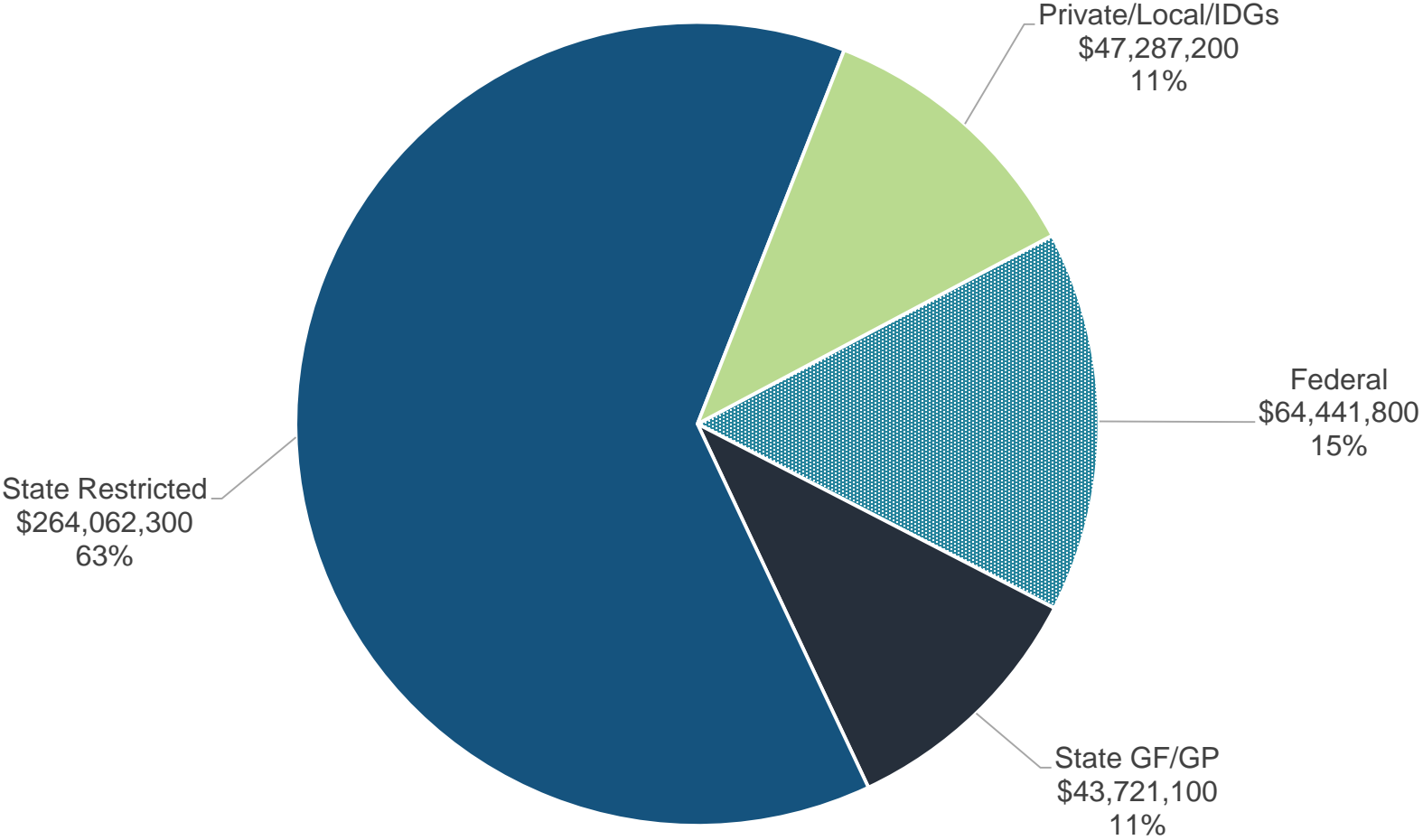
# Funding Sources

# FY 2016-17 LARA Budget

Fund Source	Funding	Description
Gross Appropriations	\$419,512,400	Total spending authority from all revenue sources
Interdepartmental Grants (IDG) Revenue	46,923,800	Funds received by one state department from another state department, usually for services provided
Adjusted Gross Appropriations	\$372,588,600	Gross appropriations excluding IDGs; avoids double counting when adding appropriation amounts across budget areas
Federal Revenue	64,441,800	Federal grant or matching revenue; generally dedicated to specific programs or purposes
Local Revenue	251,600	Revenue received from local units of government for state services
Private Revenue	111,800	Revenue from individuals and private entities, including payments for services, grants, and other contributions
State Restricted Revenue	264,062,300	State revenue restricted by the State Constitution, state statute, or outside restriction that is available only for specified purposes; includes most fee revenue
State General Fund/General Purpose (GF/GP) Revenue	\$43,721,100	Unrestricted revenue from taxes and other sources available to fund basic state programs and other purposes determined by the Legislature

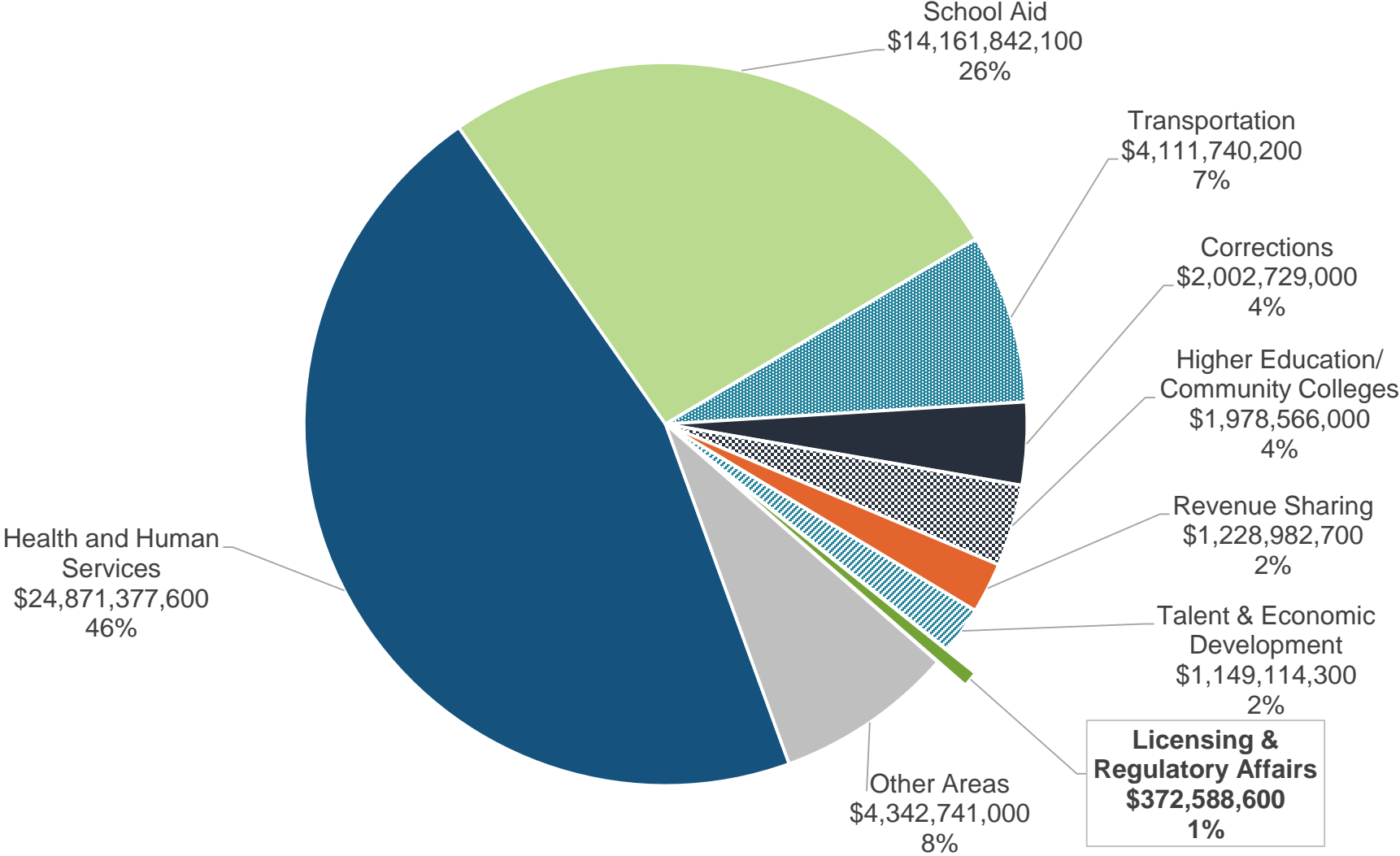
# FY 2016-17 Fund Sources

Over 60% of the **\$419.5 million** LARA budget is funded through state restricted revenue generated by fees and fines levied on individuals, activities, entities, and facilities regulated under various agencies within LARA.



# LARA Share of Total State Budget

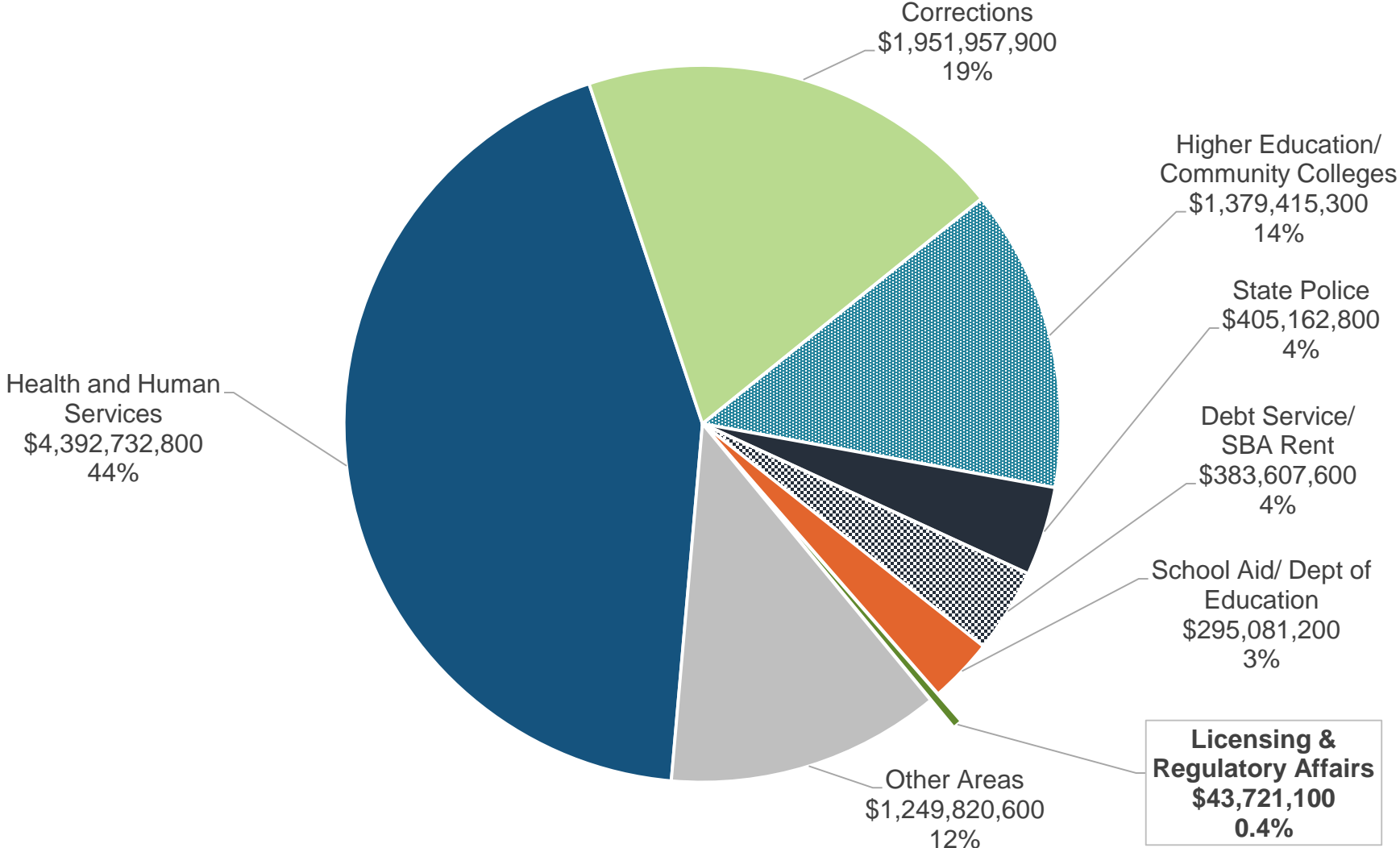
The LARA budget represents less than 1% of the **\$54.2 billion** state budget (adjusted gross) for FY 2016-17.





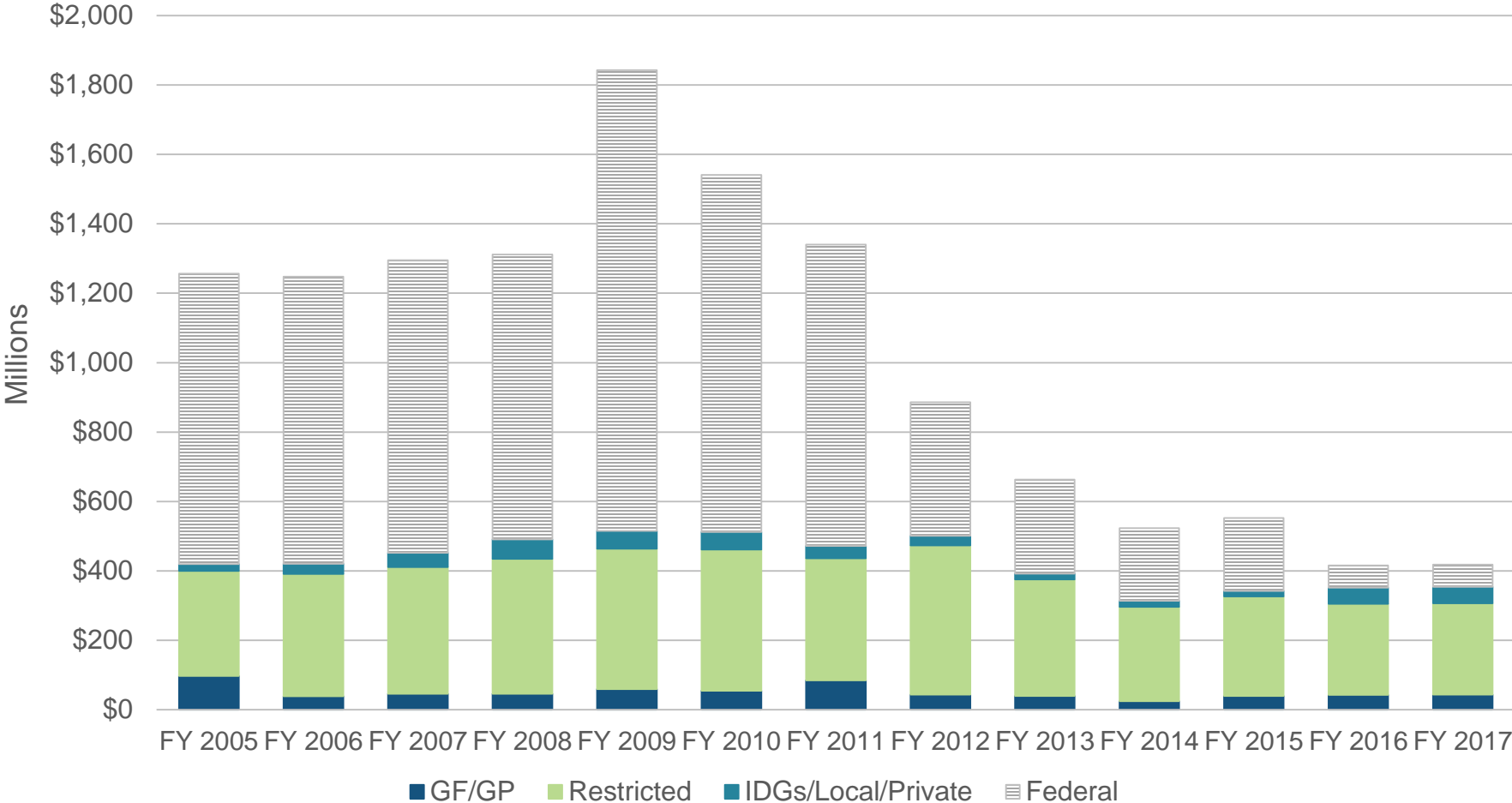
# LARA Share of Total GF/GP Budget

The LARA budget represents less than ½ of 1% of the state's \$10.1 billion GF/GP budget appropriations for FY 2016-17.



# LARA Funding History

The increase in funding during FYs 2008-09 and 2009-10 was primarily due to infusion of temporary federal ARRA grants, while the subsequent year-over-year decreases are primarily due to reorganizations (transferring of state agencies out of LARA).



Note: The budget for the former Department of Labor and Economic Growth was created for FY 2004-05 by combining the budgets for the former Departments of Consumer and Industry Services and Career Development, subsequently reorganized into the former Department of Energy, Labor, and Economic Growth, and then into LARA during FY 2010-11.

# Appropriation Areas

# LARA Appropriation Areas

**Departmental Administration:** executive direction, administrative functions, and various overhead expenses incurred by agencies within LARA

**Energy and Utility Programs:** state's energy-related policies and programs and the regulation of and adjudication for public utilities

**Liquor Control Commission:** regulation of all alcoholic beverages and the state wholesaling of liquor products

**Occupational Regulation:** regulation of commercial, occupational, construction, fire safety, health care, and human service activities, entities, and facilities

**Employment Services:** implementation of occupational safety and health standards, labor and wage laws, workers' compensation requirements, and blind vocational services

**Michigan Administrative Hearing System:** administrative hearing functions throughout state government

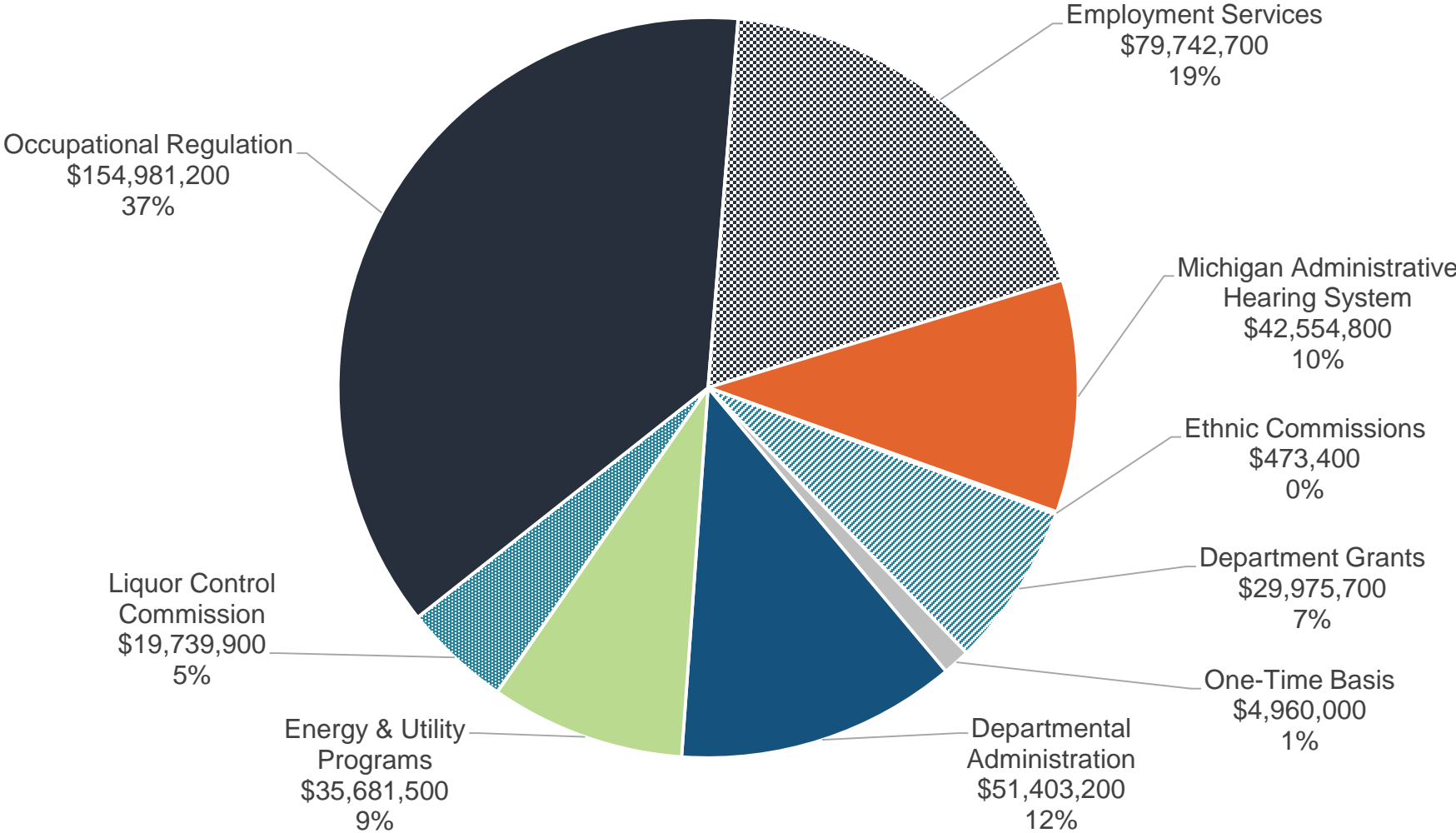
**Ethnic Commissions:** reimbursement and staffing for the state's three ethnic affairs commissions

**Department Grants:** various state grant programs, largely financing specified functions of local units of government

**One-Time Basis:** single-year funding for specified projects and programs

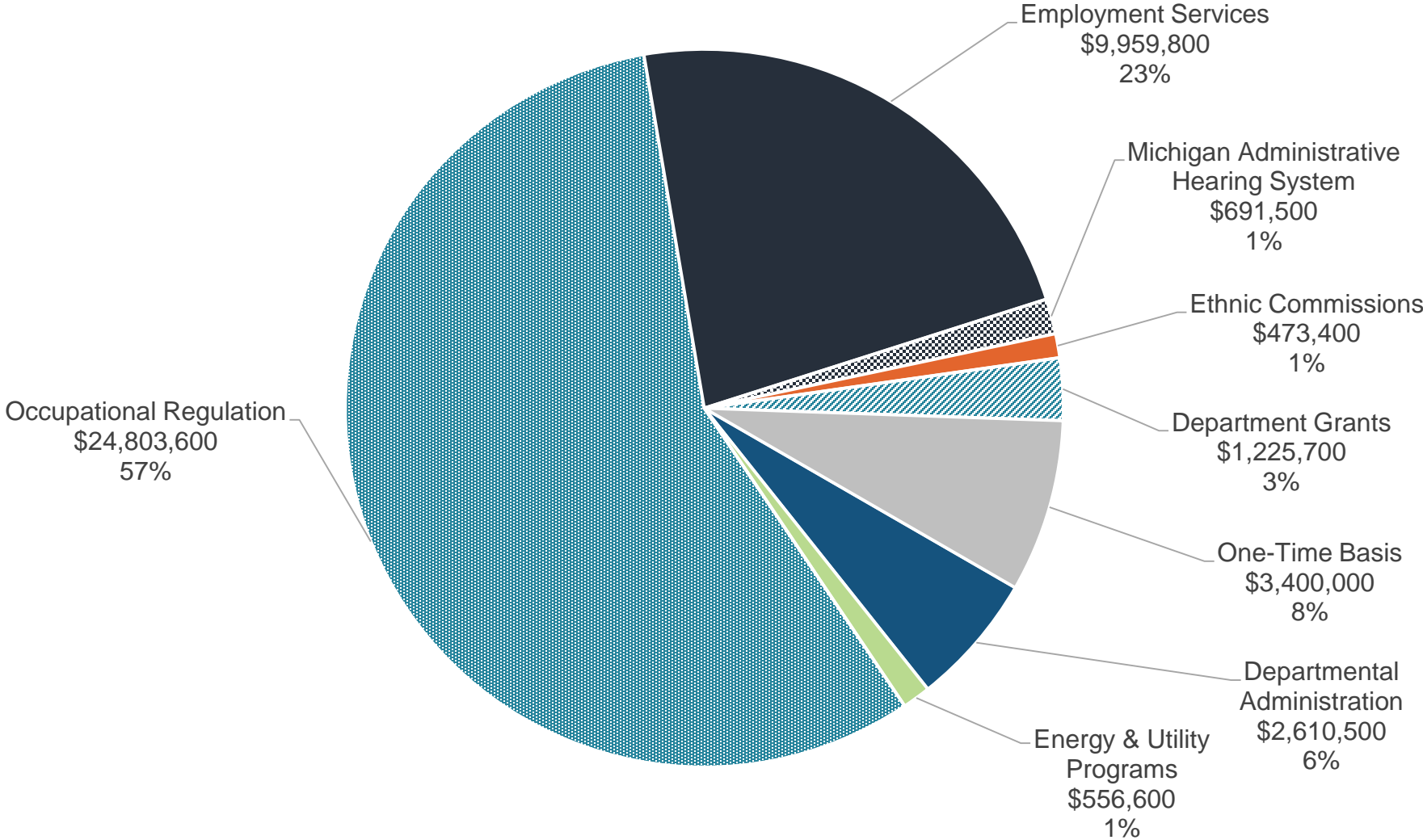
# FY 2016-17 Gross Appropriations

Over half of the **\$419.5 million** LARA budget supports occupational regulation (37%) and employment services (19%), the majority of both of which are funded with state restricted revenues.



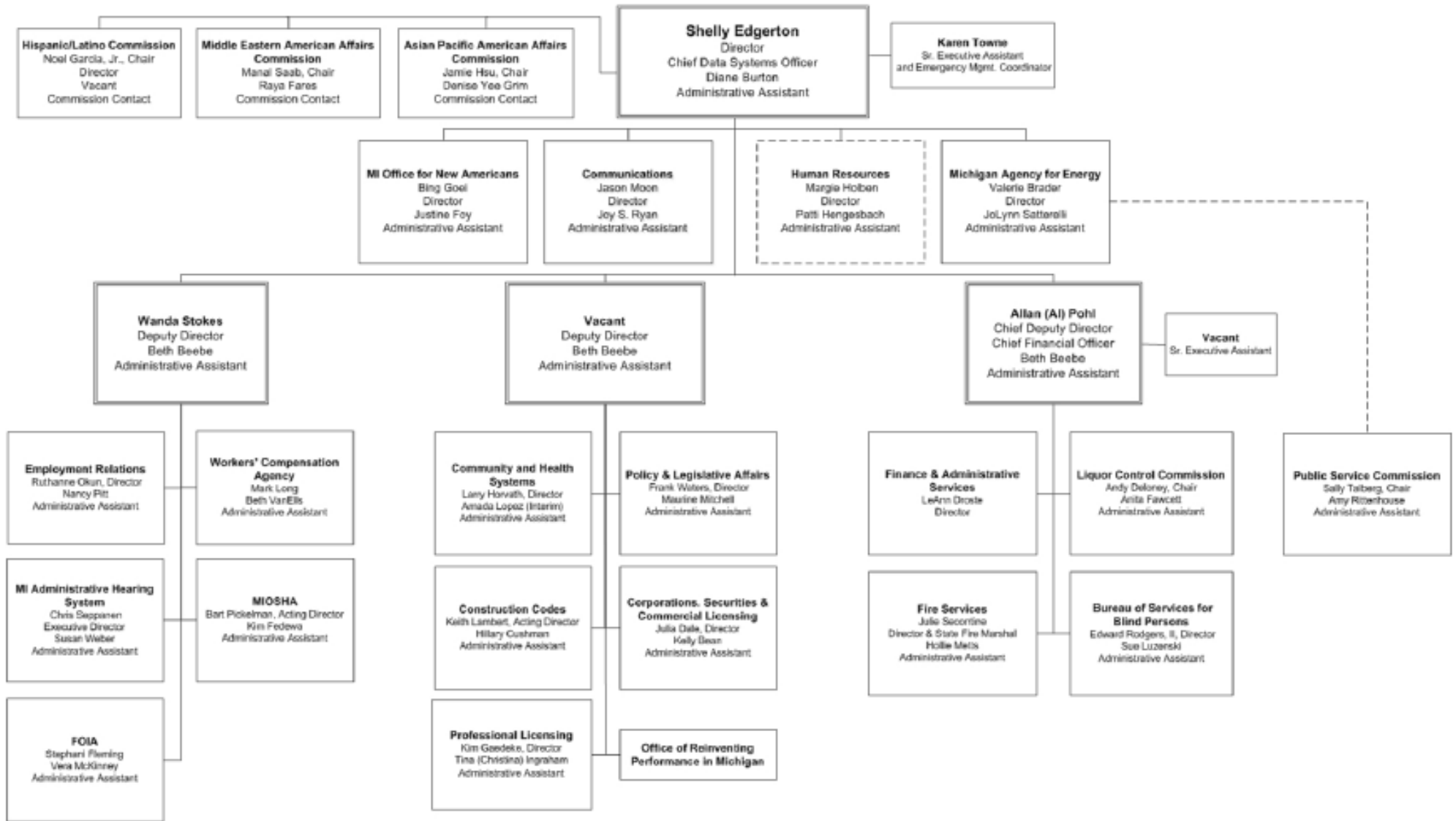
# FY 2016-17 GF/GP Appropriations

GF/GP funds (totaling **\$43.7 million**) are more heavily concentrated in occupational regulation (primarily for regulating human and health services facilities) and employment services (primarily for services for blind persons).



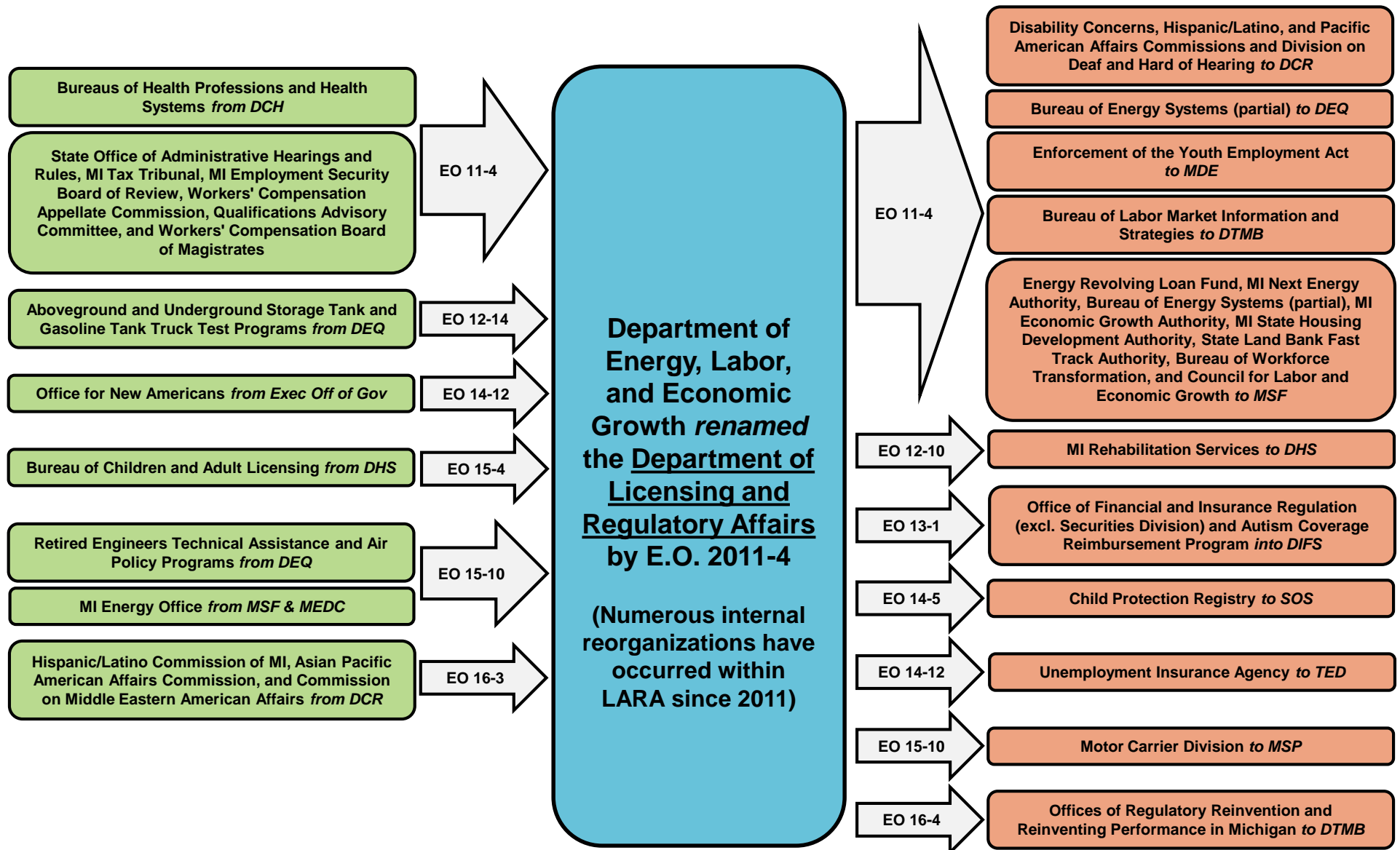
# Major Budget Topics

# LARA Organizational Chart



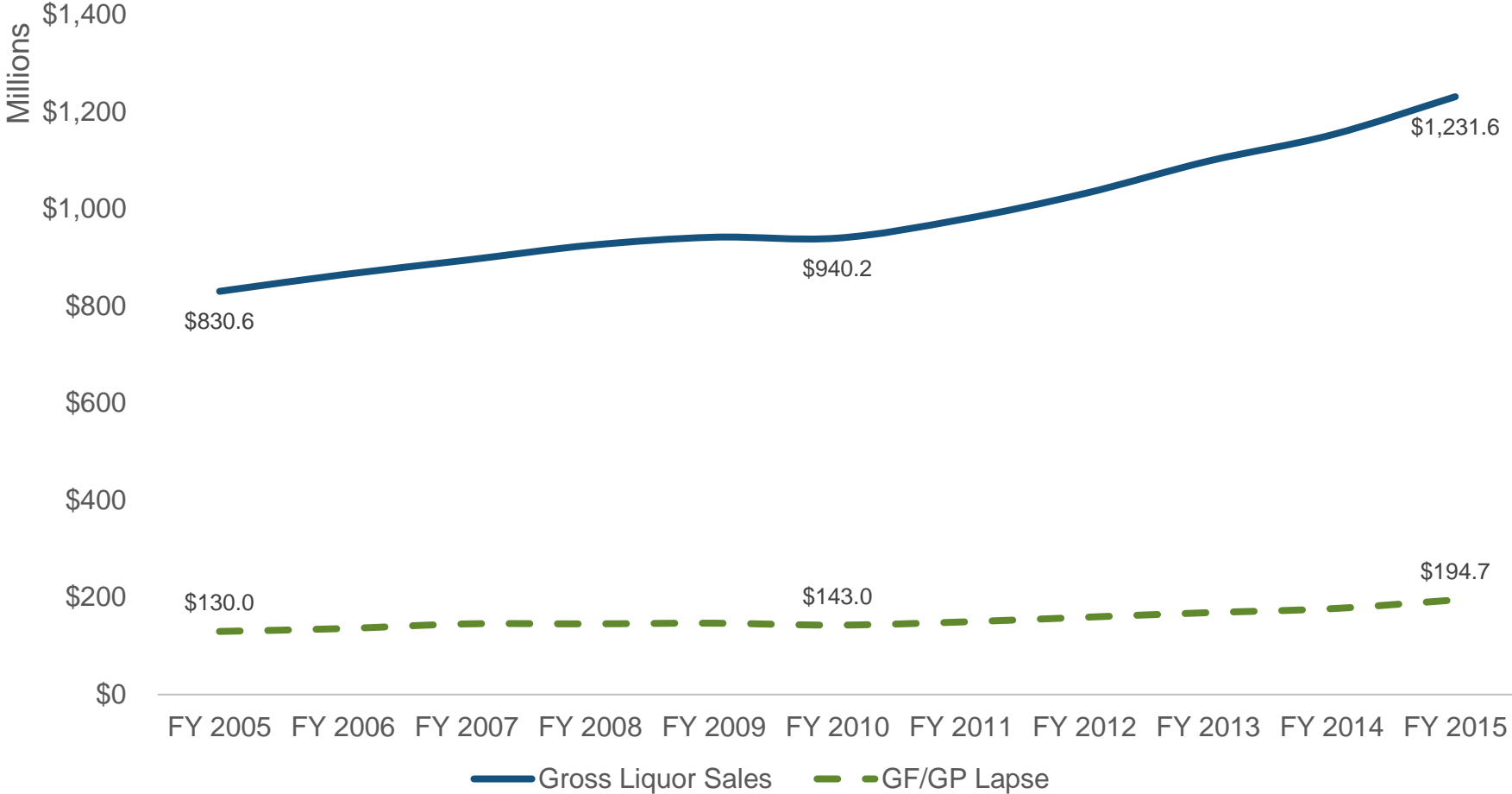


# LARA Organizational History



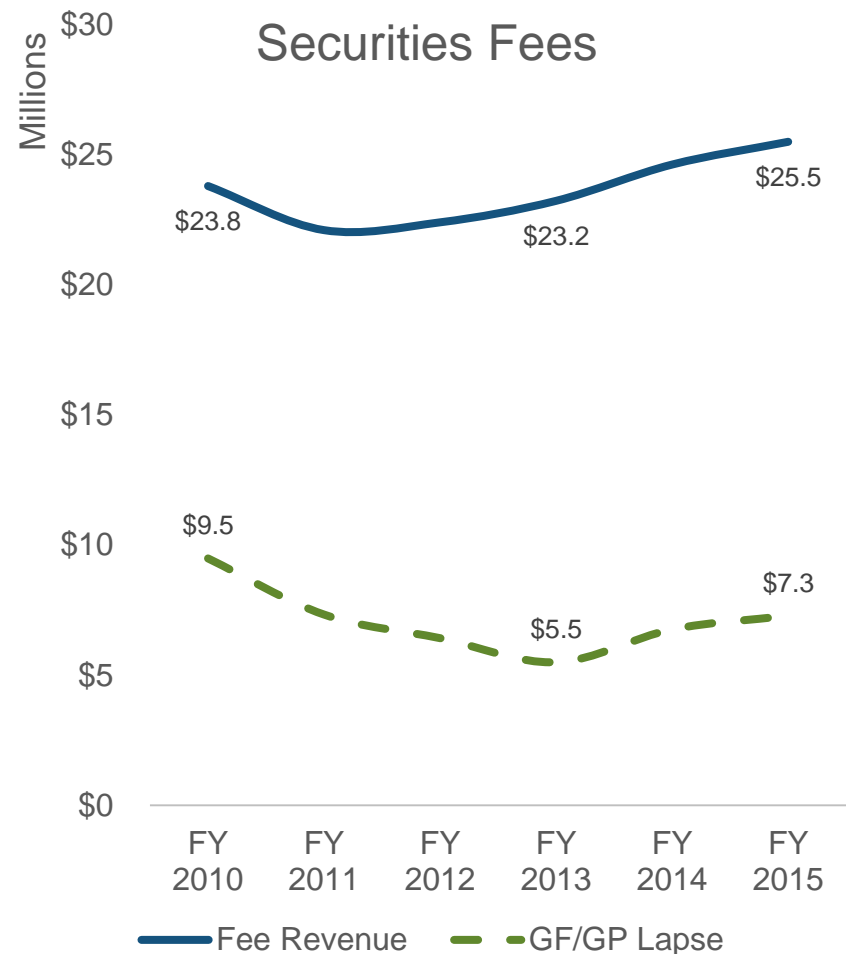
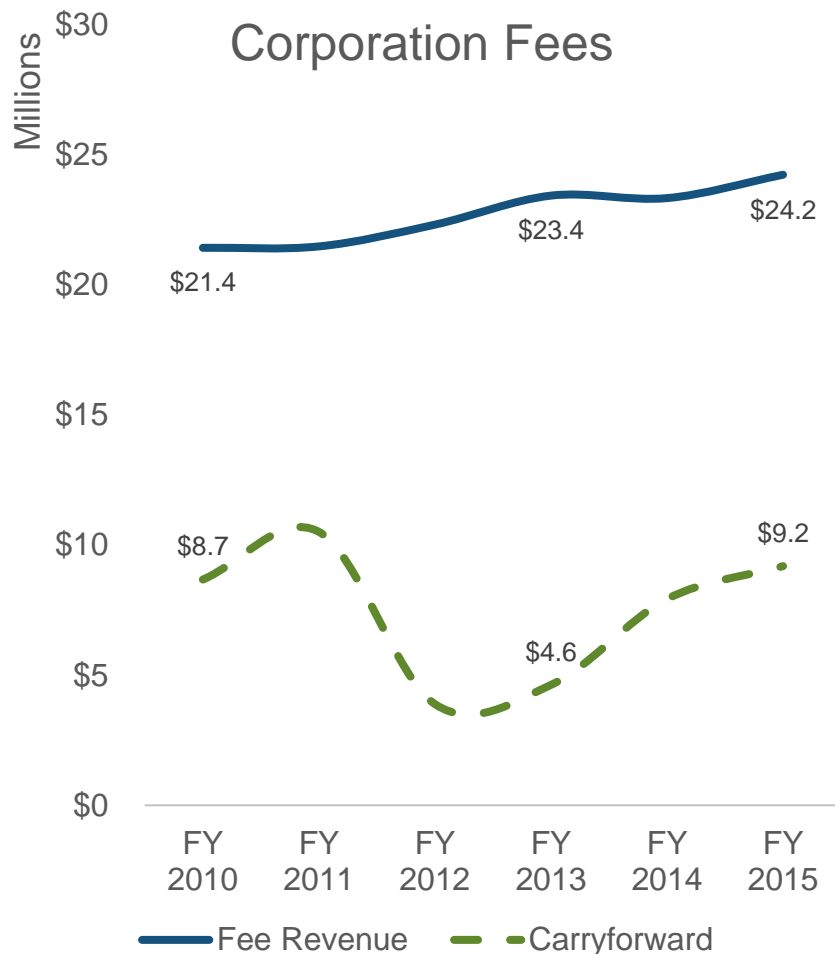
# Liquor Purchase Revolving Fund

Enterprise fund administered by the Liquor Control Commission to support the state's wholesaling of liquor products, subject to statutory mark-up and discount. The net income annually lapses to the state's General Fund.



# Corporations & Securities Fees Funds

Funds receive excess fee revenue, subject to relatively broad restrictions for expenditure, and are appropriated to offset reductions in GF/GP or insufficient restricted funds. Unexpended revenue either carries-forward or lapses to the GF/GP.



# Departmental Grant Programs

**Fire protection:** awarded to municipalities and based on the state equalized value of state-owned facilities (offices, prisons, universities, etc.) located within each jurisdiction. The grants are awarded in lieu of property taxes, for fire protection services rendered.

**Firefighter training:** awarded to counties, determined via population and land area subject to a \$5,000 minimum, to reimburse organized fire departments for firefighter training and other activities required under the Firefighter Training Council Act of 1966.

**Liquor law enforcement:** awarded to local law enforcement agencies, approximately equivalent to 55% of revenue generated by retail liquor licensure fees collected within each jurisdiction. The grants are used for the enforcement of the Liquor Control Code of 1998 and rules promulgated under the Code.

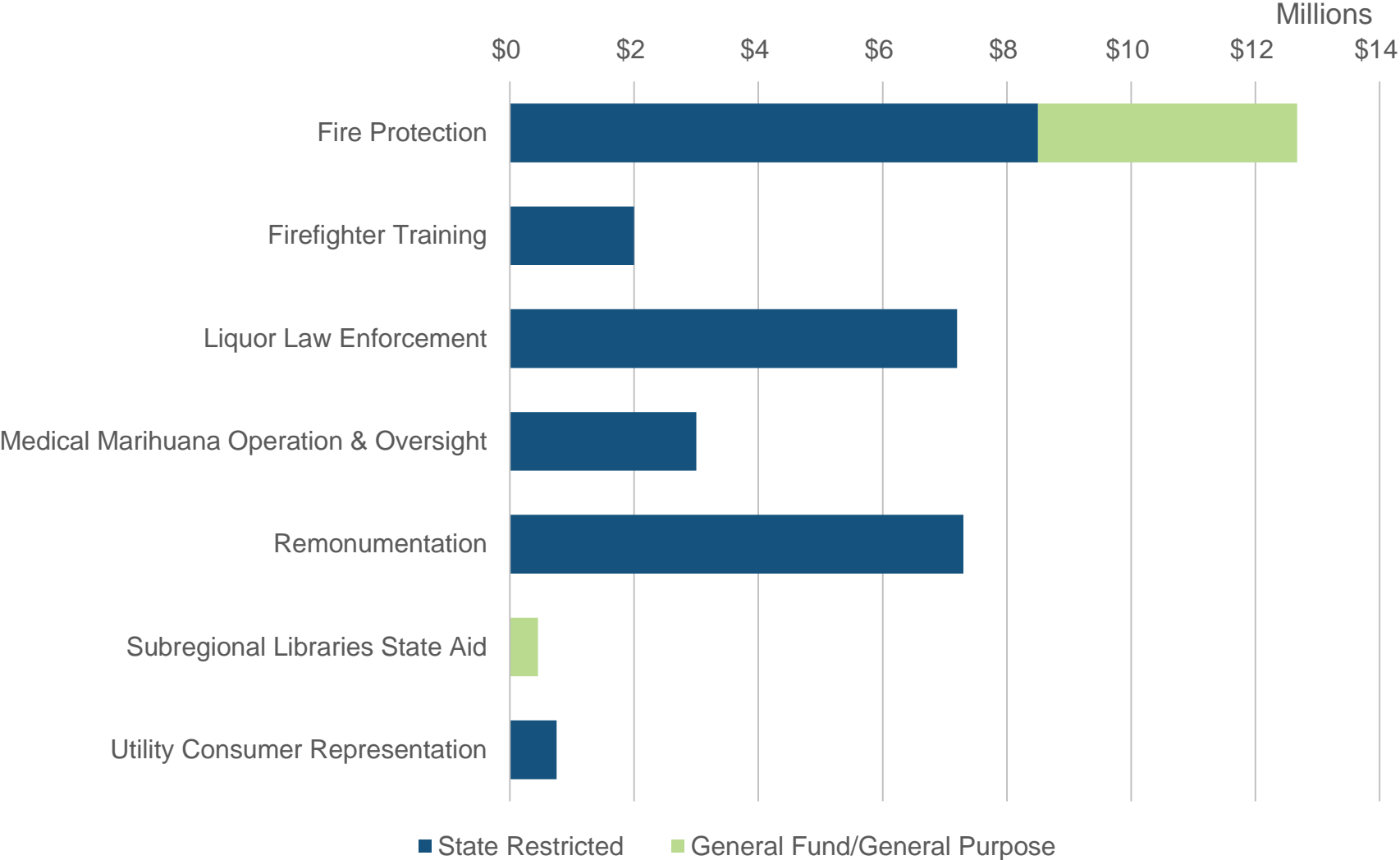
**Medical marihuana operations & oversight:** awarded to county sheriffs' offices, upon application and proportional to the number of medical marihuana registration cards issued or renewed in each county, for the operation and oversight of the Medical Marihuana Program.

**Remonumentation:** awarded to counties, upon application and subject to minimum allocations of recording fees collected by Register of Deeds for each county, for the implementation of plans to survey, remonument, and maintain the original national Public Land Survey System corners.

**Subregional libraries state aid:** awarded to regional and subregional public libraries serving blind and disabled individuals.

**Utility consumer representation:** awarded to nonprofit organizations and local units of government for the representation and advancement of the interests of residential utility customers in administrative and judicial proceedings.

# Departmental Grant Appropriations



# Fire Protection Grants

1977 PA 289 provides a method by which the state makes payments (calculated via statutory formula and subject to appropriation) to municipalities for fire protection services received by state-owned facilities within their jurisdictions.

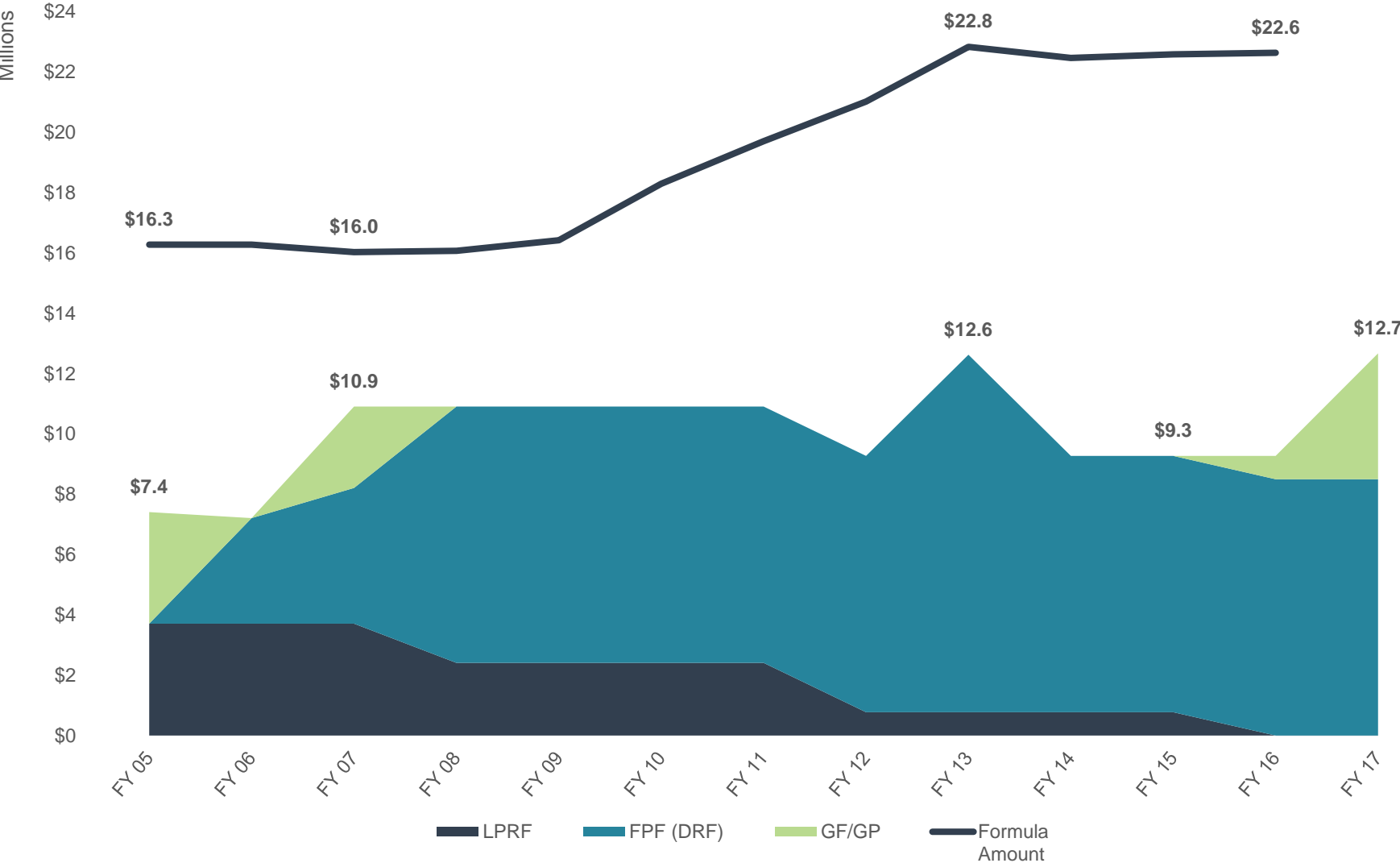
Sufficient funds have not been appropriated to support payments as calculated pursuant to the full formula; fund sources utilized include:

- Liquor Purchase Revolving Fund
- Fire Protection Fund (Driver Responsibility Fees)
- General Fund/General Purpose

Currently, the payments are primarily supported by Driver Responsibility Fees which are being phased out and will no longer be assessed beginning in FY 2017-18

\$3.4 million in one-time GF/GP was added for FY 2016-17

# Fire Protection Grant Awards



# For more information about the Licensing and Regulatory Affairs budget:

## HFA Resources

<http://www.house.mi.gov/hfa/Licensing.asp>

## Contact Information

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