Budget Briefing: Licensing and Regulatory Affairs

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Briefing Topics

- Funding Sources
- Appropriation Areas
- Major Budget Topics
Department of Licensing and Regulatory Affairs

The Department of Licensing and Regulatory Affairs (LARA) comprises agencies and programs that regulate the following sectors:

- Commercial and occupational activities
- Construction and fire safety
- Health care and human services
- Energy and public utilities
- Alcoholic beverage distribution and sales
- Occupational safety and health
- Workers' compensation
- Rehabilitation services for the blind

Agencies within LARA also conduct administrative hearings for state departments, provide support for various commissions, and administer several grant programs.
Key Budget Terms

**Fiscal Year:** The state's fiscal year (FY) runs from October to September. FY 2017-18 is October 1, 2017 through September 30, 2018.

**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 2017-18 LARA Budget

<table>
<thead>
<tr>
<th>Fund Source</th>
<th>Funding</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Appropriations</td>
<td>$434,672,000</td>
<td>Total spending authority from all revenue sources</td>
</tr>
<tr>
<td>Interdepartmental Grants (IDG) Revenue</td>
<td>47,835,100</td>
<td>Funds received by one state department from another state department, usually for services provided</td>
</tr>
<tr>
<td>Adjusted Gross Appropriations</td>
<td>$386,836,900</td>
<td>Gross appropriations excluding IDGs; avoids double counting when adding appropriation amounts across budget areas</td>
</tr>
<tr>
<td>Federal Revenue</td>
<td>65,020,900</td>
<td>Federal grant or matching revenue; generally dedicated to specific programs or purposes</td>
</tr>
<tr>
<td>Local Revenue</td>
<td>250,000</td>
<td>Revenue received from local units of government for state services</td>
</tr>
<tr>
<td>Private Revenue</td>
<td>111,800</td>
<td>Revenue from individuals and private entities, including payments for services, grants, and other contributions</td>
</tr>
<tr>
<td>State Restricted Revenue</td>
<td>277,037,600</td>
<td>State revenue restricted by the State Constitution, state statute, or outside restriction that is available only for specified purposes; includes most fee revenue</td>
</tr>
<tr>
<td>State General Fund/General Purpose (GF/GP) Revenue</td>
<td>$44,416,600</td>
<td>Unrestricted revenue from taxes and other sources available to fund basic state programs and other purposes determined by the Legislature</td>
</tr>
</tbody>
</table>
FY 2017-18 Fund Sources

Over 60% of the $434.7 million LARA budget is funded by state restricted revenue generated by fees and fines levied on individuals, activities, and entities regulated by LARA.
The LARA budget represents less than 1% of the **$55.8 billion** state budget (adjusted gross) for FY 2017-18.
The LARA budget represents less than ½ of 1% of the state's $10.1 billion GF/GP budget appropriations for FY 2017-18.
LARA Funding History

Increases in funding during FYs 2008-09 and 2009-10 was primarily due to the 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 overhead expenses incurred

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

**Commissions:** staffing and administrative costs for the ethnic affairs commissions and the Michigan Indigent Defense Commission

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

**Information Technology:** information technology services and projects

**One-Time Basis:** single-year funding for specified programs
Over half of the $434.7 million LARA budget supports occupational regulation (38%) and employment services (19%), both of which are funded primarily with state restricted revenues.
FY 2017-18 GF/GP Appropriations

GF/GP funds ($44.4 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 History

Department of Energy, Labor, and Economic Growth renamed the Department of Licensing and Regulatory Affairs by E.O. 2011-4

(Numerous internal reorganizations have occurred within LARA since 2011)

Bureaus of Health Professions and Health Systems from DCH

State Office of Administrative Hearings and Rules, MI Tax Tribunal, MI Employment Security Board of Review, Workers’ Compensation Appellate Commission, Qualifications Advisory Committee, and Workers’ Compensation Board of Magistrates

Aboveground and Underground Storage Tank and Gasoline Tank Truck Test Programs from DEQ

Office for New Americans from Exec Off of Gov

Bureau of Children and Adult Licensing from DHS

Retired Engineers Technical Assistance and Air Policy Programs from DEQ

MI Energy Office from MSF & MEDC

Hispanic/Latino Commission of MI, Asian Pacific American Affairs Commission, and Commission on Middle Eastern American Affairs from DCR

Disability Concerns, Hispanic/Latino, and Pacific American Affairs Commissions and Division on Deaf and Hard of Hearing to DCR

Bureau of Energy Systems (partial) to DEQ

Enforcement of the Youth Employment Act to MDE

Bureau of Labor Market Information and Strategies to DTMB

Energy Revolving Loan Fund, MI Next Energy Authority, Bureau of Energy Systems (partial), MI Economic Growth Authority, MI State Housing Development Authority, State Land Bank Fast Track Authority, Bureau of Workforce Transformation, and Council for Labor and Economic Growth to MSF

MI Rehabilitation Services to DHS

Office of Financial and Insurance Regulation (excl. Securities Division) and Autism Coverage Reimbursement Program into DIFS

Child Protection Registry to SOS

Unemployment Insurance Agency to TED

Motor Carrier Division to MSP

Offices of Regulatory Reinvention and Reinventing Performance in Michigan to DTMB
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.
Medical Marihuana Regulation

- In December 2017, LARA began regulating several classes of entities associated with the medical marihuana industry, including:
  - Growers
  - Processors
  - Provisioning centers
  - Secure transporters
  - Testing facilities
- $10 million in restricted funds was appropriated for the regulation of marihuana facilities and for the implementation of the seed-to-sale tracking system in the FY 2017-18 budget
- There remains a fair amount of uncertainty regarding what the costs of marihuana facilities regulation will be, since the program is still developing and initial licensure is ongoing
The Michigan Indigent Defense Commission (MIDC) was transferred to LARA from the Judiciary, pursuant to PA 439 of 2016.

$2.4 million (GF/GP) was appropriated to cover the administrative costs of the commission in the FY 2017-18 budget.

A supplemental appropriation of $5.0 million (GF/GP) was included in PA 107 of 2017 for the MIDC, this money will be distributed to counties in the form of grants to cover the costs of implementing indigent defense compliance plans and received work project status at the end of FY 17.

The MIDC is currently reviewing plans for indigent defense that have been submitted by counties across the state, an estimate of how much money will be required to fund these plans is being calculated.
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.

**Reemonumentation:** 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.
Fire Protection Grants

PA 289 of 1977 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 that have been 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

$1.4 million in one-time GF/GP was added for FY 2017-18
Fire Protection Grant Awards
For more information about the Licensing and Regulatory Affairs budget:

HFA Resources
http://www.house.mi.gov/hfa/Licensing.asp

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