



# **Budget Presentation: Licensing and Regulatory Affairs and Insurance and Financial Services**

Marcus Coffin, Senior Fiscal Analyst

February 2023

# Department of Licensing and Regulatory Affairs

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

- Alcoholic beverage distribution and sales
- Commercial and occupational activities
- Construction and fire safety
- Health care and human services
- Medical and adult-use marijuana and hemp
- Public utilities

Entities within LARA also conduct administrative hearings and rulemaking for state departments, support the Michigan Indigent Defense Commission and the Unarmed Combat Commission, and administer several grant programs.

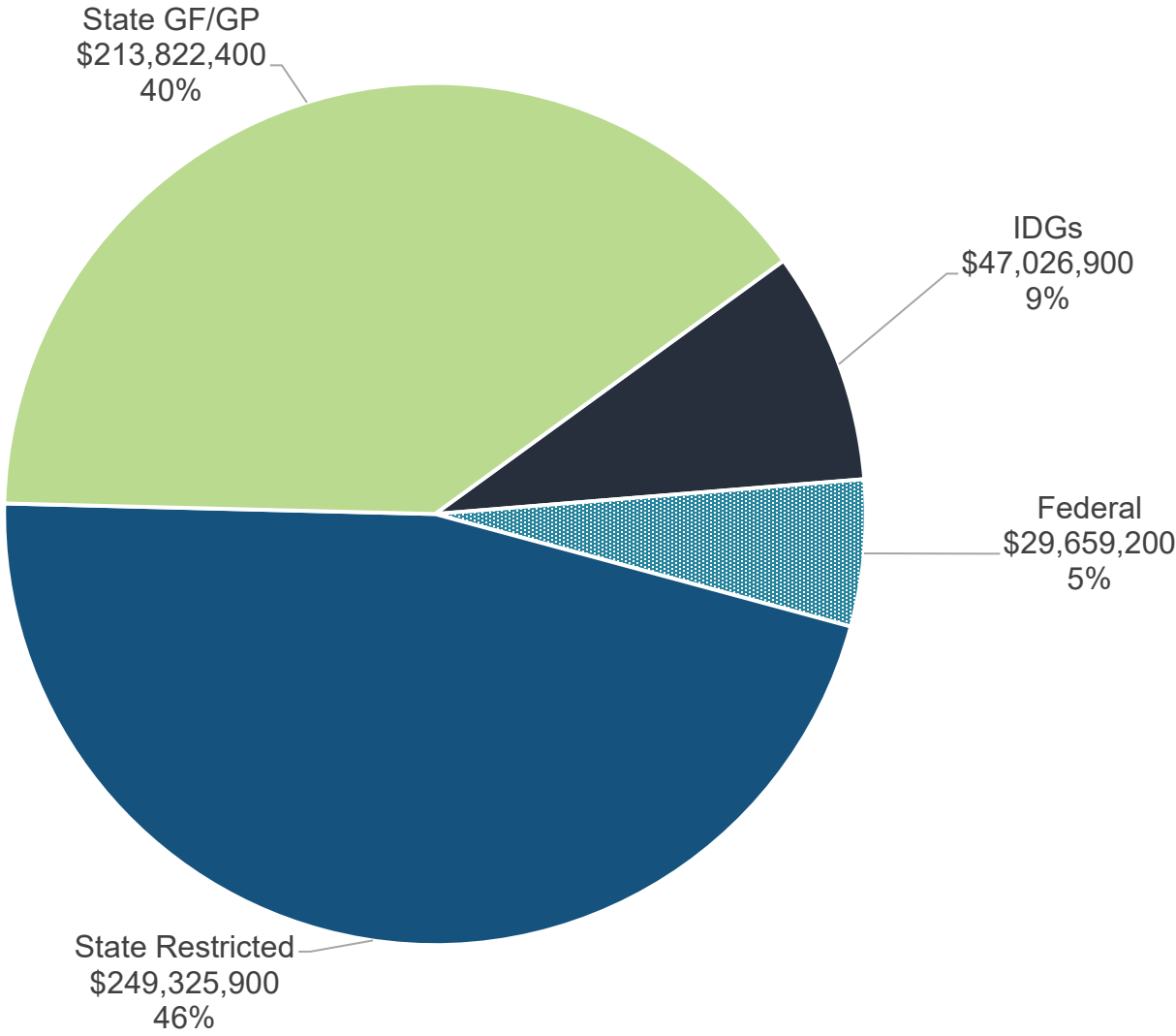
# Funding Sources

# FY 2022-23 LARA Budget

Fund Source	Funding	Description
Gross Appropriations	\$539,834,400	Total spending authority from all revenue sources
Interdepartmental Grants (IDG) Revenue	47,026,900	Funds received by one state department from another state department, usually for services provided
Adjusted Gross Appropriations	\$492,807,500	Gross appropriations excluding IDGs; avoids double counting when adding appropriation amounts across budget areas
Federal Revenue	29,659,200	Federal grant or matching revenue; generally dedicated to specific programs or purposes
Local Revenue	0	Revenue received from local units of government for state services
Private Revenue	0	Revenue from individuals and private entities, including payments for services, grants, and other contributions
State Restricted Revenue	249,325,900	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	\$213,822,400	Unrestricted revenue from taxes and other sources available to fund basic state programs and other purposes determined by the legislature

# FY 2022-23 Fund Sources

Approximately **46%** of the **\$539.8 million** LARA budget is funded by state restricted revenue generated from fees and fines levied on individuals, entities, and activities regulated by LARA.



# Appropriation Areas

# LARA Appropriation Areas

**Departmental Administration and Support:** Various administrative functions (executive direction, lease obligations and property costs, etc.)

**Public Utility Regulation:** Regulation of electricity, natural gas, and telecommunications

**Liquor Control Commission:** Regulation of alcoholic beverages and oversight of the state's wholesale liquor operations

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

**Cannabis Regulatory Agency:** Oversight of medical and adult-use marijuana activities and facilities and hemp licensing

**Michigan Office of Administrative Hearings and Rules:** Provision of administrative hearing functions and rulemaking

**Commissions:** Staffing and administrative costs for the Michigan Indigent Defense Commission and the Unarmed Combat Commission

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

# LARA Bureaus/Agencies

- **Michigan Public Service Commission (MPSC)** – regulates rates and services of investor-owned natural gas and electric utilities; authorizes energy infrastructure proposals; implements state laws pertaining to energy and telecommunications industries; and regulates natural gas pipeline infrastructure.
- **Michigan Liquor Control Commission (MLCC)** – wholesaler of liquor in the state; licenses and regulates retailers, wholesalers, and other entities involved in manufacture, purchase, sale, or consumption of alcoholic beverages.
- **Bureau of Community and Health Systems (BCHS)** – licenses and regulates adult foster care homes, homes for the aged, child camps, health care providers (hospitals, long term care facilities, substance use disorder programs, etc.); administers the nurse aide registration and training and program.
- **Bureau of Construction Codes (BCC)** – conducts regulation and oversight of individuals and activities regulated under the Skilled Trades Regulation Act and the Occupational Code.
- **Bureau of Fire Services (BFS)** – enforcement and other activities; fire incident reporting; fire service training; fireworks regulation; regulation of aboveground and underground storage tanks.

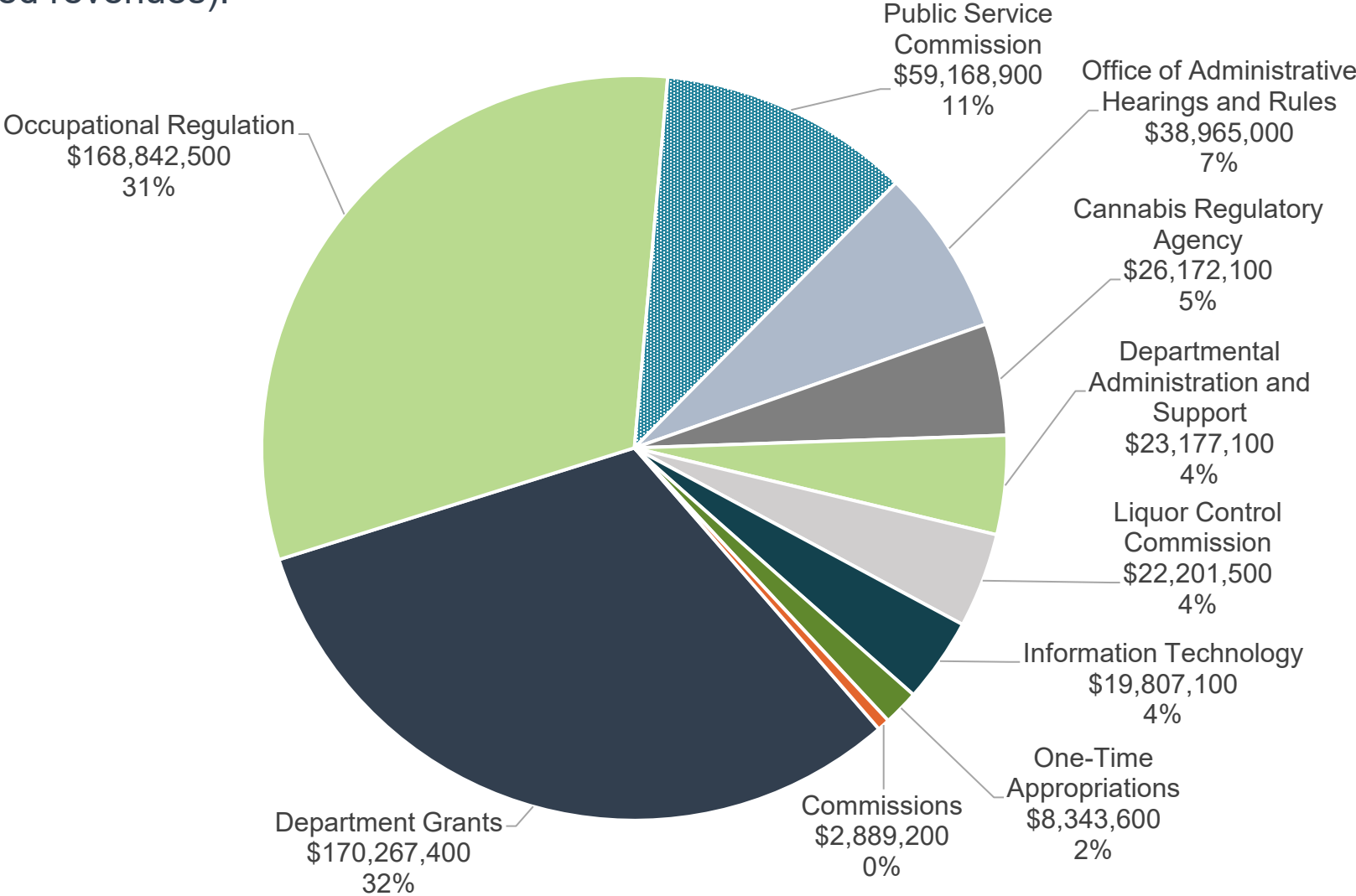


# LARA Bureaus/Agencies (Continued)

- **Bureau of Professional Licensing (BPL)** – licenses and regulates 700,000+ individuals under the Michigan Occupational Code and the Public Health Code; responsible for the Michigan Automated Prescription System (MAPS) and the Health Professional Recovery Program (HPRP).
- **Child Care Licensing Bureau (CCLB)** – licenses and regulates child care facilities.
- **Corporations, Securities, and Commercial Licensing Bureau (CSCLB)** – enables the formation of business and nonprofit entities; regulates Michigan’s securities industry.
- **Cannabis Regulatory Agency (CRA)** – licenses, regulates, and enforces activity in hemp processing-handling and the medical and adult-use marijuana sectors; administers the medical marijuana program.
- **Michigan Office of Administrative Hearings and Rules (MOAHR)** – oversees administrative rulemaking for each state department and centralizes administrative hearing functions for numerous state departments.

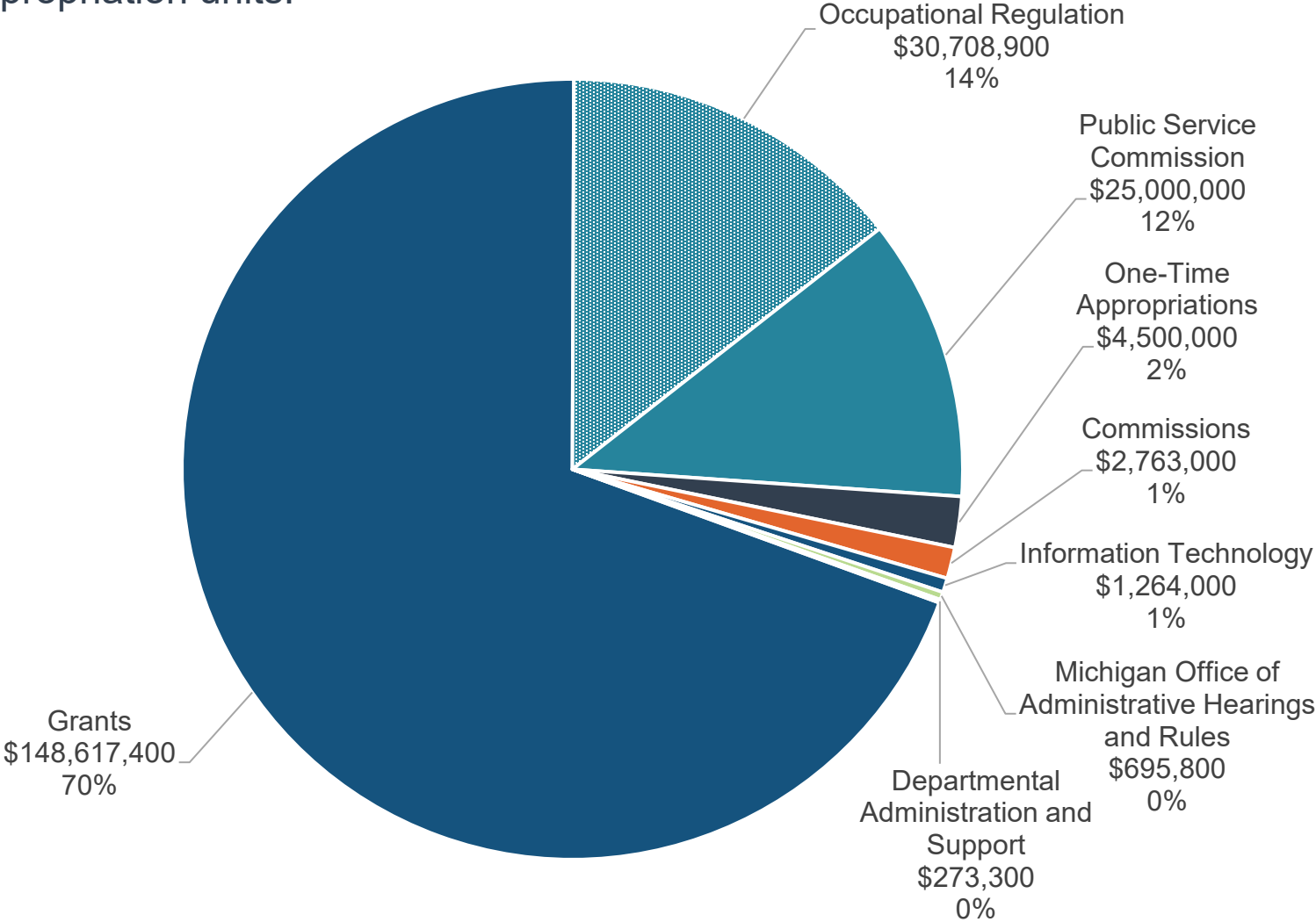
# FY 2022-23 Gross Appropriations

The largest portions of the \$539.8 million LARA budget support department grant programs, 32%, and occupational regulation, 31% (which is funded primarily with state restricted revenues).



# FY 2022-23 GF/GP Appropriations

Approximately **84%** of GF/GP funds (**\$179.3 million**) are contained in the Grants (MIDC grants) and Occupational Regulation (primarily for regulating health and human services facilities) appropriation units.



# Major Budget Topics

# Low Carbon Energy Infrastructure Enhancement and Development

- Grant program for businesses, nonprofits, and local units of government to plan, develop, design, acquire, or construct low carbon energy facilities, which can include natural gas facilities, combined heat and power facilities, renewable natural gas facilities, and electrification programs.
- Legislature appropriated **\$25.0 million** GF/GP for FY 2021-22 (2022 PA 53) and an additional **\$25.0 million** GF/GP for FY 2022-23 (2022 PA 166).
- FY 2021-22 and FY 2022-23 funding have statutory work project authorization through 2026 and 2027, respectively.
- Final deadline for revised or modified proposals is March 14, and award selections are expected in late spring of 2023. The anticipated grant start date is **July 3, 2023**.

# Low Carbon Energy Infrastructure Enhancement and Development Eligibility

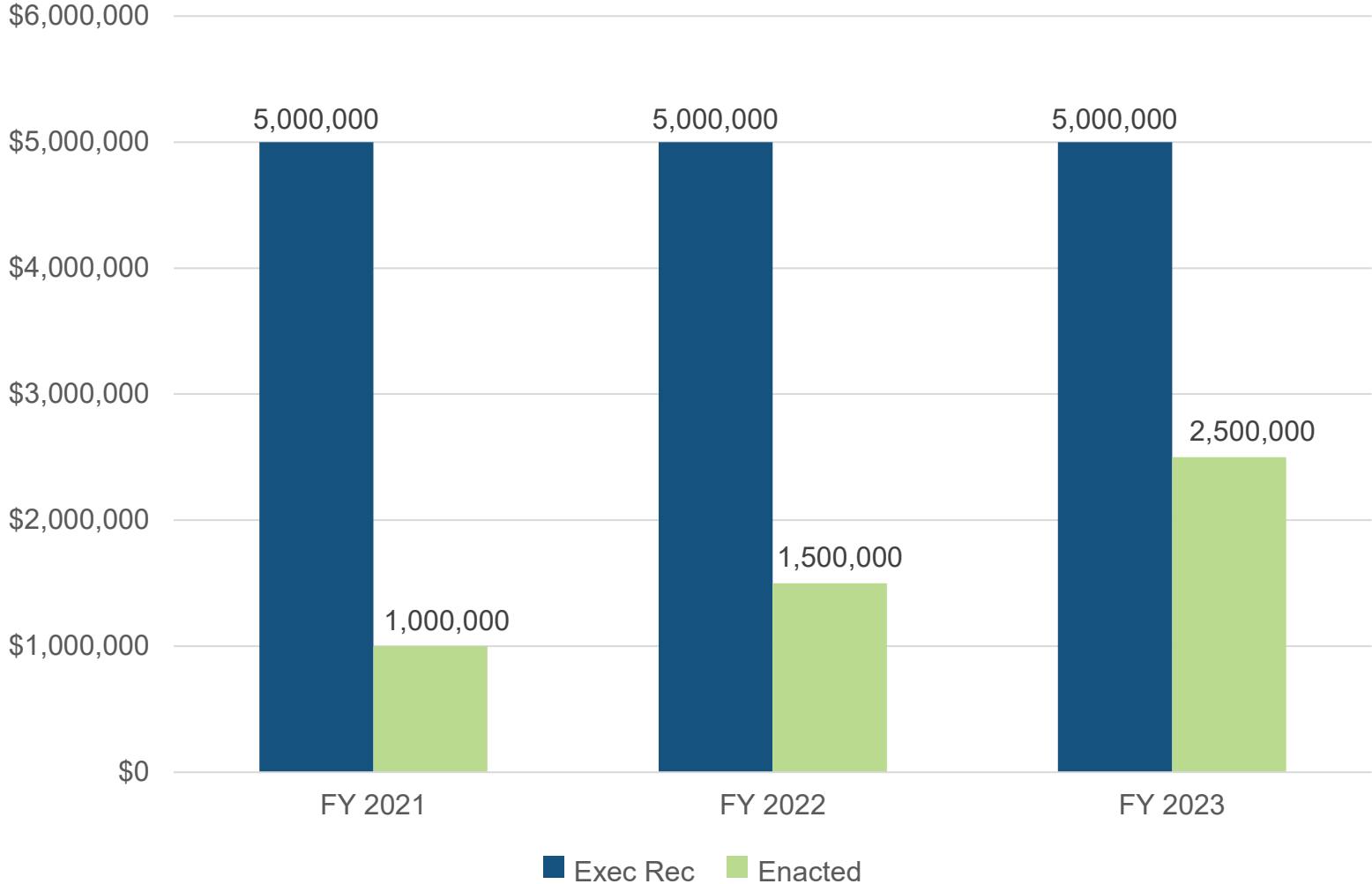
- Grant applicants must do the following to be considered for an award:
  - Perform an impact study that includes analysis of potential cost savings, environmental impacts, and local economic benefits.
  - Submit a proposal detailing the associated costs and benefits, including:
    - Cost impact to potential new customers with a cost-benefit analysis demonstrating the impact and cost savings to customers
    - Analysis demonstrating the impact on the local and state economies
    - Detailed summary indicating any support from customers and communities associated with the project plan
    - Analysis of anticipated community health impact

# Low Carbon Energy Infrastructure Enhancement and Development Evaluation and Selection Criteria

- Per the Request For Proposals issued by the MPSC in 2022, grant proposals will be evaluated using a 100-point scoring system that includes the following factors:
  - Program Priorities and Impact (35 points)
  - Project Scope and Objectives (25 points)
  - Project Feasibility (20 points)
  - Experience of Organization/Project Team (15 points)
  - Environmental Justice and Equity (5 points)
- If multiple proposals receive the same score, bonus points will be used to prioritize grant awards and amounts; bonus point categories include:
  - Holistic Approach (up to 3 additional points)
  - Resilience (up to 3 additional points)

# Michigan Saves Green Bank

The FY 2022-23 budget includes \$2.5 million GF/GP for Michigan Saves, which is a green bank that incentivizes residential and commercial lending for renewable energy and energy efficiency projects.

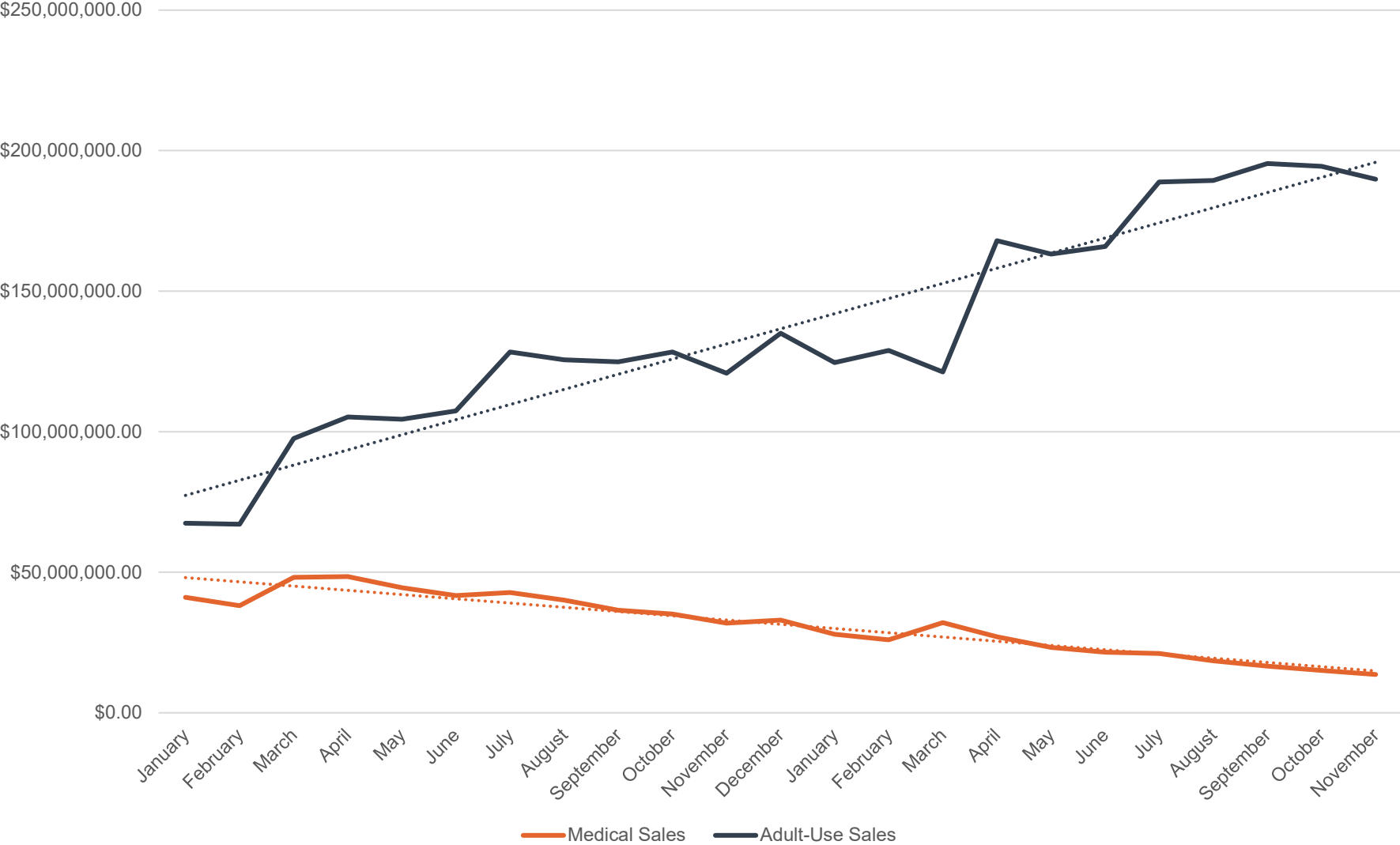




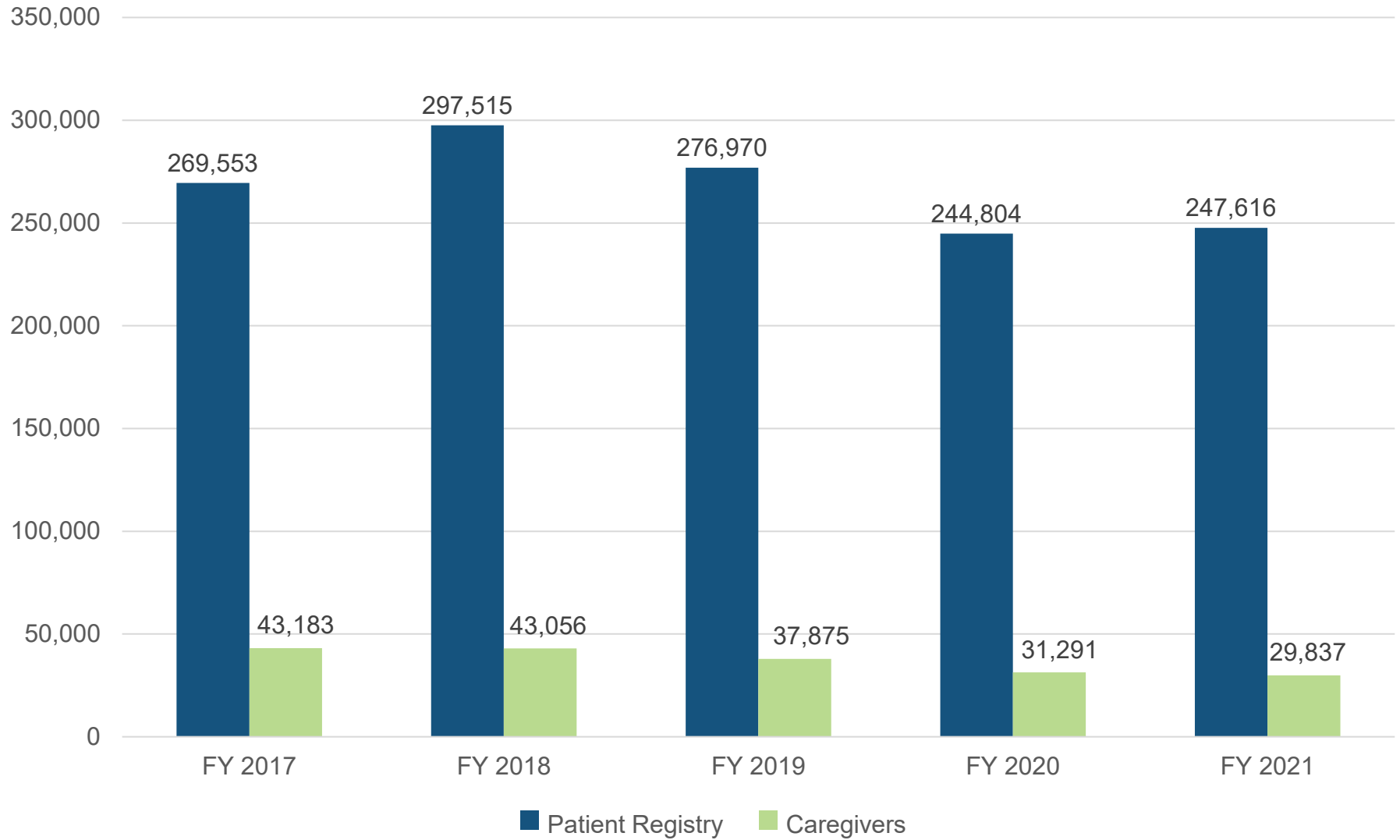
# Cannabis Regulatory Agency Appropriations

- Appropriations in the FY 2022-23 budget include:
  - **\$6.5 million** and 50.0 FTE positions for Medical Marijuana Facilities Licensing and Tracking
  - **\$5.0 million** and 25.0 FTE positions for the Medical Marijuana Program
  - **\$14.6 million** and 93.0 FTE positions for Recreational Marijuana Regulation
- CRA also oversees licensing and regulation of Hemp Processor-Handlers. Supplemental Request 2023-1 sought \$300,000 in state restricted funding authorization to support this activity.

# Marijuana Total Monthly Sales 2021-2022



# Michigan Medical Marihuana Act Patient Volumes



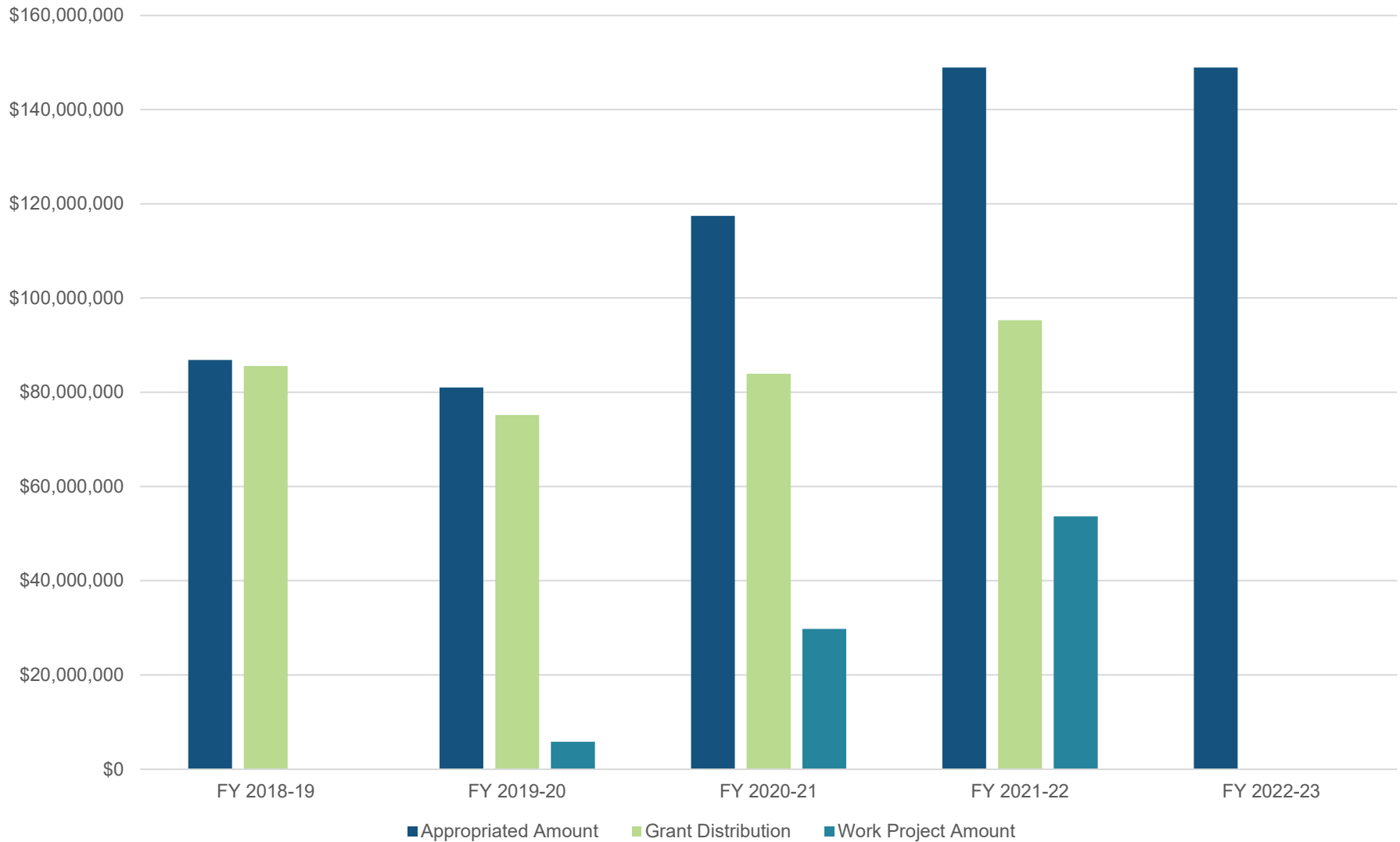
# Michigan Indigent Defense Commission

- **\$2.8 million** (GF/GP) is appropriated to cover administrative costs of the commission in FY 2022-23.
- Since FY 2018-19, grants have been distributed to funding units of district and circuit courts for implementation of MIDC-approved compliance plans to bring systems into compliance with indigent defense standards.
- Approved standards currently pertain to:
  - Education and training of defense counsel
  - Timing and location of attorney-client interviews
  - Defense investigations and experts in indigent cases
  - Presence of counsel at first appearance and other trial stages
  - Ensuring independence of indigent defense systems from the judiciary
  - Economic incentives and disincentives, including attorney compensation
- **\$148.9 million** Gross is appropriated for grants in FY 2022-23.

# Pending Indigent Defense Standards

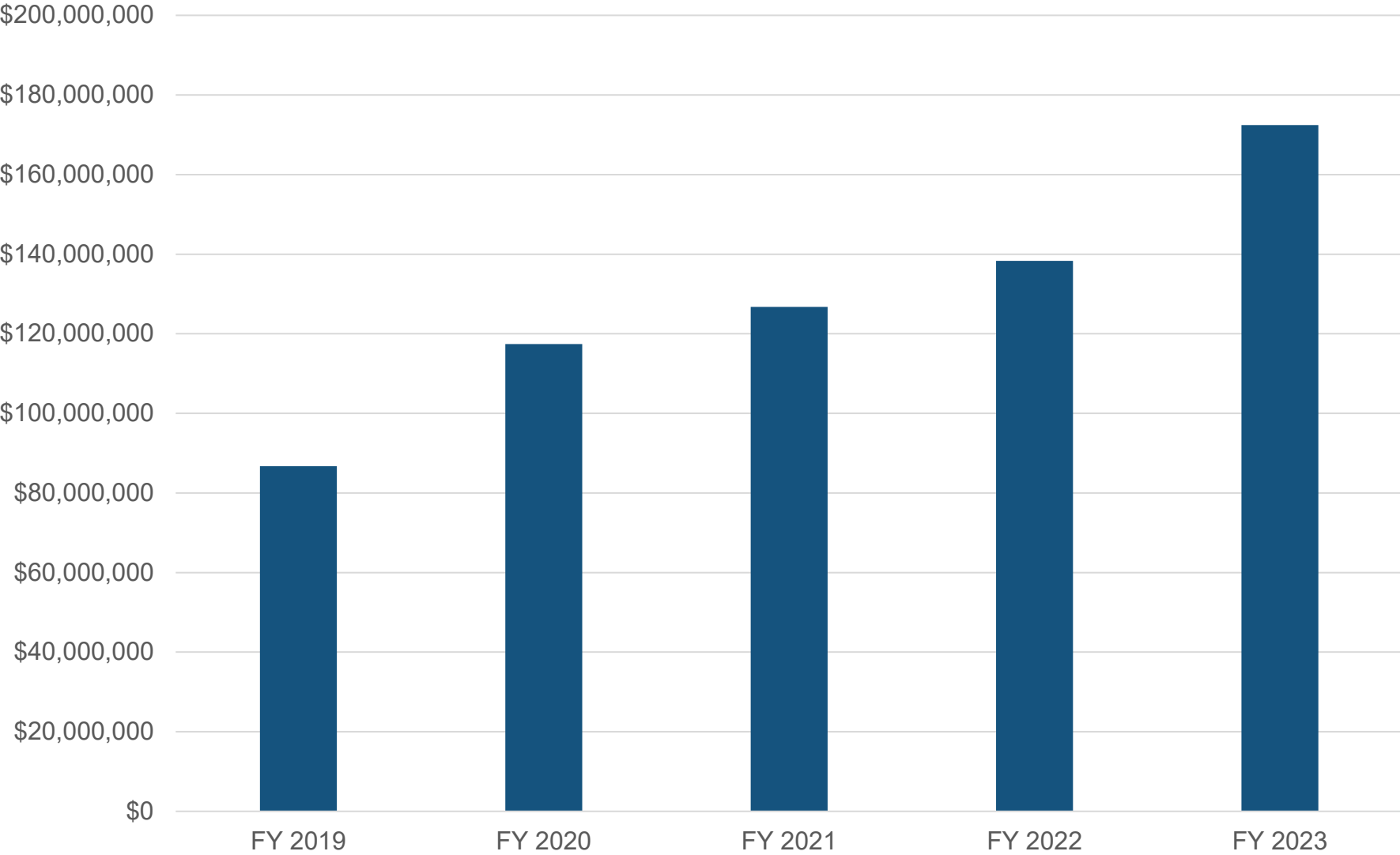
- Two standards (standards 6 and 7) have been submitted by the MIDC to LARA and are pending approval.
- The pending standards pertain to:
  - Limiting indigent defense attorney caseloads
  - Basic requirements and qualifications for attorneys in different case types
- There are no cost estimates currently available. However, based on costs for the other standards, the state's portion of costs for standards 6 and 7, if approved, would likely total millions of dollars.

# Michigan Indigent Defense Grants History

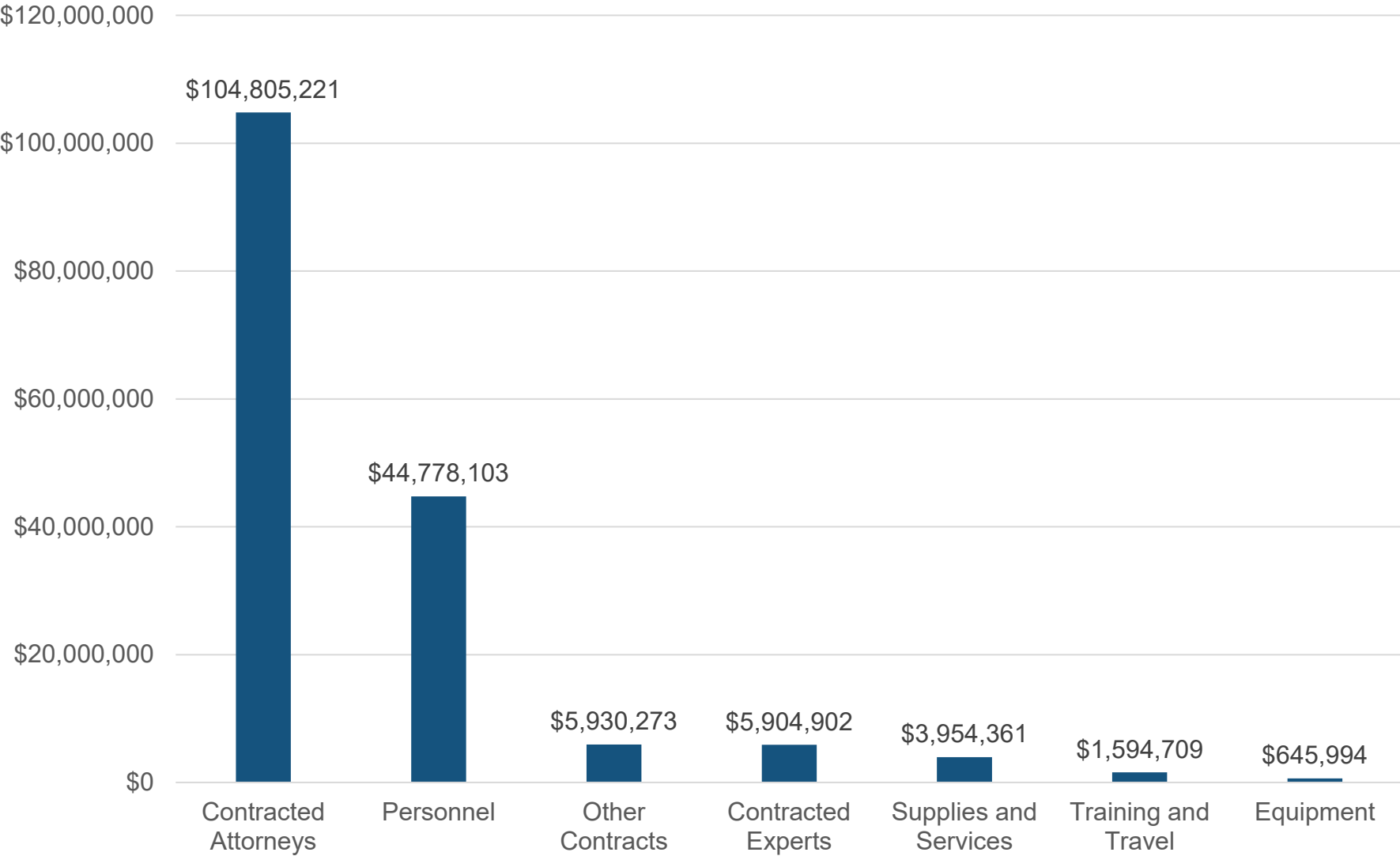


\*FY 2021-22 work project amount is a LARA projection

# MIDC Grant Approvals



# FY 2020-21 Indigent Defense System Costs



\*Data from FY 2021 MIDC Report



# Department of Insurance and Financial Services

- The Department of Insurance and Financial Services (DIFS) is responsible for:
  - Regulating Michigan's insurance and financial services industries and licensing individuals and entities operating within these sectors
  - Consumer protection via management of consumer inquiries, investigation of consumer complaints, and consumer education
- DIFS regulates the following entities:
  - State-chartered banks and credit unions
  - Mortgage brokers, lenders, and servicers
  - Consumer finance entities
  - Insurance companies, agents, and products
  - Health maintenance organizations

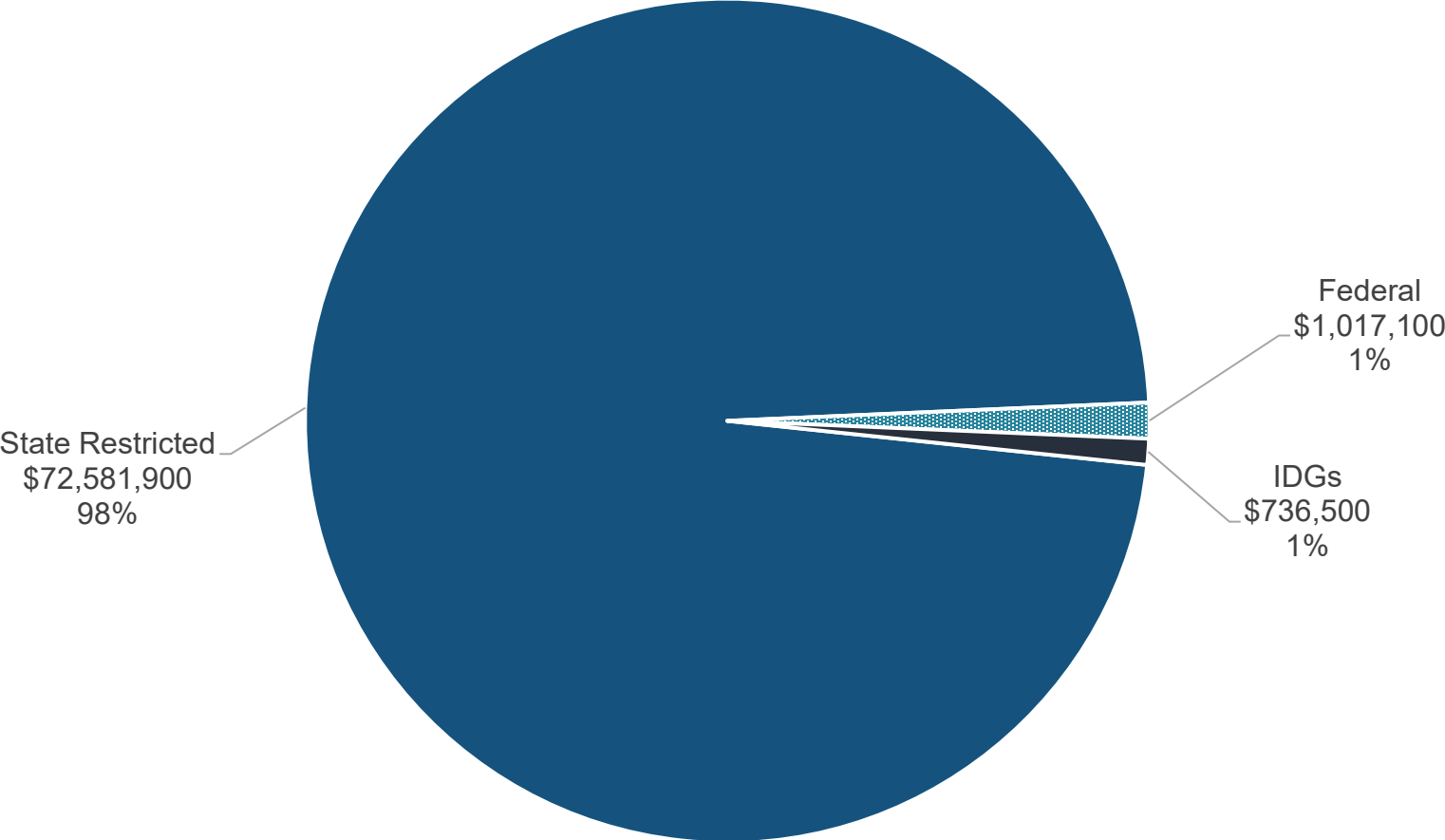
# Funding Sources

# FY 2022-23 DIFS Budget

Fund Source	Funding	Description
Gross Appropriations	\$74,335,500	Total spending authority from all revenue sources
Interdepartmental Grants (IDG) Revenue	736,500	Funds received by one state department from another state department, usually for services provided
Adjusted Gross Appropriations	\$73,599,000	Gross appropriations excluding IDGs; avoids double counting when adding appropriation amounts across budget areas
Federal Revenue	1,017,100	Federal grant or matching revenue; generally dedicated to specific programs or purposes
Local Revenue	0	Revenue received from local units of government for state services
Private Revenue	0	Revenue from individuals and private entities, including payments for services, grants, and other contributions
State Restricted Revenue	72,581,900	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	\$0	Unrestricted revenue from taxes and other sources available to fund basic state programs and other purposes determined by the legislature

# FY 2022-23 Fund Sources

Approximately **98%** of the **\$74.3 million** DIFS budget is supported by state restricted revenue generated from fees and fines levied on individuals and entities regulated by DIFS.



# Appropriation Areas

# DIFS Appropriation Areas

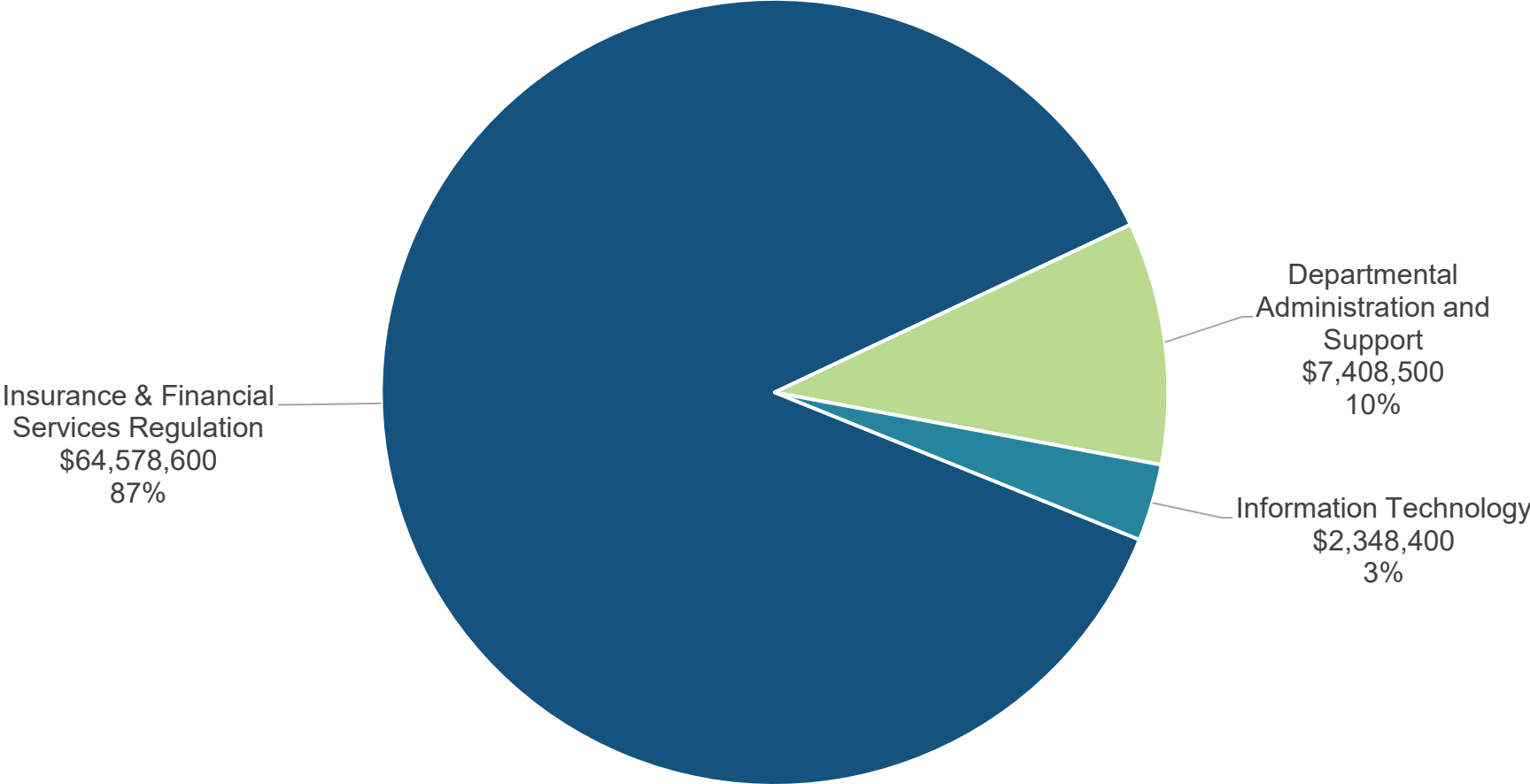
**Departmental Administration and Support:** Unclassified salaries, executive direction, administrative functions, and various overhead expenses

**Insurance and Financial Services Regulation:** Regulatory oversight of the insurance and financial services industries, legal counsel, and consumer services and protection

**Information Technology:** Supports information technology services and projects provided for DIFS by the Department of Technology, Management, and Budget

# FY 2022-23 Gross Appropriations

About **13%** of the **\$74.3 million** DIFS budget supports executive and administrative functions and overhead expenses.



# For more information:

## HFA Resources

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

## Contact Information

Marcus Coffin

Senior Fiscal Analyst

[mcoffin@house.mi.gov](mailto:mcoffin@house.mi.gov)

(517) 373-8080