

**Summary: Executive Budget Recommendation
for Fiscal Year 2018-19
LICENSING AND REGULATORY AFFAIRS**



Analyst: Marcus Coffin

	FY 2017-18 Year-to-Date as of 2/7/18	FY 2018-19 Executive	Difference: FY 2018-19 Vs. FY 2017-18	
			Amount	%
IDG/IDT	\$47,835,100	\$48,414,300	\$579,200	1.2
Federal	65,020,900	65,744,400	723,500	1.1
Local	250,000	100,000	(150,000)	(60.0)
Private	111,800	111,800	0	0.0
Restricted	277,037,600	297,271,300	20,233,700	7.3
GF/GP	44,416,600	88,820,300	44,403,700	100.0
Gross	\$434,672,000	\$500,462,100	\$65,790,100	15.1
FTEs	2,379.8	2,379.8	0.0	0.0

Notes: (1) FY 2017-18 year-to-date figures include mid-year budget adjustments through February 7, 2018. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

Overview

The Department of Licensing and Regulatory Affairs (LARA) is the primary regulatory agency for this state. The department oversees regulation across a variety of areas, including: commercial and occupational activities, construction and fire safety, health care and human services, energy and public utilities, and liquor. Agencies within LARA are also responsible for implementing and enforcing workers' compensation requirements, occupational safety and health standards, and labor and wage laws, in addition to providing vocational rehabilitation services for the blind and coordinating employment services for immigrants. Lastly, agencies within LARA conduct and adjudicate administrative hearings, supervise administrative rulemaking, and evaluate regulatory requirements and administrative processes for departments and agencies throughout state government.

Major Budget Changes From FY 2017-18 Year-to-Date (YTD) Appropriations	FY 2017-18 YTD (as of 2/7/18)		Executive Change from YTD
1. Michigan Indigent Defense Commission Grants	Gross	NA	\$61,300,000
Provides \$61.3 million Gross (\$15.3 million state restricted reimbursements from partially indigent defendants and \$46.0 million GF/GP) to support grants made by the Michigan Indigent Defense Commission (MIDC). Grants will be made to local units in order to support provisions contained within approved compliance plans that will align indigent defense practices with standards that have been set by the MIDC.	Restricted	NA	15,300,000
	GF/GP	NA	\$46,000,000
2. First Responder Presumed Coverage Claims	Gross	\$1,780,000	\$3,465,000
Provides an additional \$3.5 million in restricted funding from the First Responder Presumed Coverage Fund in order to annualize revenues to support payments of First Responder Presumed Coverage claims. The increase will bring the total amount of the authorization to \$5.45 million (\$0 GF/GP). Funds are projected to be available for this purpose from revenues to the Medical Marijuana Excise Fund.	Restricted	1,780,000	3,465,000
	GF/GP	\$0	\$0
3. Medical Marijuana Operation and Oversight Grant Elimination	Gross	\$3,000,000	(\$3,000,000)
Removes \$3.0 million in restricted funding that supported grants made to county law enforcement agencies and distributed proportionally based on the number of registry identification cards issued or renewed within a given county. Pursuant to 2016 PA 281, local governments now receive different grants that are determined by statutory amounts due from the Medical Marijuana Excise Fund.	Restricted	3,000,000	(3,000,000)
	GF/GP	\$0	\$0
4. Liquor Law Enforcement Grants Enhancement	Gross	\$7,200,000	\$1,200,000
Increases the amount available for the grants by \$1.2 million in restricted funding available from retailers' liquor license fees and license renewal fees. Per statute, 55% of revenues from these license fees are to be distributed to the jurisdiction that collected them for the enforcement of the Liquor Control Code and associated rules.	Restricted	7,200,000	1,200,000
	GF/GP	\$0	\$0

Major Budget Changes From FY 2017-18 Year-to-Date (YTD) Appropriations

5. Fire Protection Grants Reduction	Gross	\$9,273,900	(\$773,900)
Removes the \$773,900 GF/GP ongoing portion of Fire Protection Grant funding, resulting in a total remaining authorization for the grants of \$8.5 million (\$0 GF/GP). The total amount available for these grants (including one-time funding of \$1.4 million GF/GP) in FY 2017-18 was \$10.7 million (\$2.2 million GF/GP). The Executive has included a proposal to use \$6.5 million from Local Community Stabilization Authority (LCSA) Tier 3 payments for nonessential services to provide additional funding for the grants.	Restricted	8,500,000	0
	GF/GP	\$773,900	(\$773,900)
6. Nurse Aide Training and Registration Program	Gross	NA	\$600,000
Provides \$600,000 in restricted funding from the Nurse Aide Registration Fund to implement the Nurse Aide Training and Registration Program, pursuant to 2017 PA 172.	Restricted	NA	600,000
	GF/GP	NA	\$0
7. Substance Use Disorder Programs	Gross	NA	\$500,000
Includes \$500,000 in restricted funding from the Medical Marijuana Regulatory Fund to support costs associated with the licensing of substance use disorder programs. Pursuant to 2016 PA 281, \$500,000 must be distributed from collected regulatory assessments for licensing substance use disorder programs.	Restricted	NA	500,000
	GF/GP	NA	\$0
8. Elimination of Administrative Support for the Local Community Stabilization Authority	Gross	\$150,000	(\$150,000)
Eliminates the \$150,000 appropriation that was supported by local revenues and supported staff and operations of the Local Community Stabilization Authority. Responsibilities previously supported by these funds have been shifted to the Michigan Municipal Services Authority (MMSA).	Local	150,000	(150,000)
	GF/GP	\$0	\$0
9. Division on Deafness Fund Transfer	Gross	NA	\$93,400
Includes \$93,400 in restricted funding to reflect the transfer of program functions from the Department of Civil Rights to LARA, pursuant to Executive Order No. 2017-8. The Executive Order transferred responsibility for the testing and certification of interpreters for the deaf to LARA.	Restricted	NA	93,400
	GF/GP	NA	\$0
10. Removal of One-Time Appropriations	Gross	\$1,400,100	(\$1,400,100)
Removes \$1.4 million Gross (\$1.4 million GF/GP) in FY 2017-18 one-time appropriations. Appropriations include \$1.4 million GF/GP for Fire Protection Grants Enhancement and \$100 in restricted funding for the Drinking Water Declaration of Emergency.	Restricted	100	(100)
	GF/GP	\$1,400,000	(\$1,400,000)
11. Revenue Alignment and Reduction of Overstated Deducts	Gross	NA	(\$639,300)
Reduces restricted fund authorizations for a net decrease of \$639,300 in order to accurately reflect fund availability and to align with revenue estimates.	Restricted	NA	(639,300)
	GF/GP	NA	\$0
12. Economic Adjustments	Gross	NA	\$4,595,000
Reflects a net increase in costs for negotiated salary and wage increases (2.0% ongoing), actuarially required retirement contributions, worker's compensation, building occupancy changes, and other economic adjustments.	IDG	NA	579,200
	Federal	NA	723,500
	Restricted	NA	2,714,700
	GF/GP	NA	\$577,600

Major Boilerplate Changes From FY 2017-18

Sec. 207. Out-of-State Travel Requirements and Report – REVISED

Stipulates various limitations regarding the conditions when LARA may send employees on out-of-state travel, further limits the expenditure of state funds on out-of-state professional development conferences, and requires a detailed report on out-of-state travel. Revises by striking sections delineating conditions under which out-of-state travel is permissible and by heavily modifying the requirements for information to be contained within the report.

Sec. 218. Communications with the Legislature – DELETED

Prohibits LARA from taking disciplinary action against an employee for communicating with a member of the legislature or its staff.

Sec. 219. Television and Radio Productions – DELETED

Prohibits LARA from developing or producing television or radio productions.

Major Boilerplate Changes From FY 2017-18

Sec. 220. Healthy Michigan Plan Accounting Structure – DELETED

Requires LARA, in conjunction with the Department of Health and Human Services (DHHS), to maintain accounting structures within MAIN which will facilitate the identification of expenditures associated with the Healthy Michigan Plan.

Sec. 226 Regulatory and Statistical Report – DELETED

Requires LARA to submit an annual report that specifies and summarizes statistical information pertaining to fees, revenues, expenditures, application determinations, timeliness, examinations, complaints, investigations, enforcement actions, administrative hearings, and adjudications for each regulatory product administered by regulatory agencies within LARA.

Sec. 227. Departmental Employee Performance Monitoring Process – DELETED

Stipulates legislative intent that LARA establish a consistent employee performance monitoring process and submit a report pertaining to planned or implemented changes to that process.

Sec. 401. IT Upgrades to Mitigate Licensure Delays – DELETED

Stipulates funds from the Liquor Purchase Revolving Fund be used to invest in upgrades to mitigate delays in issuing licenses; legislative intent is expressed that the upgrades should utilize free software if it is available.

Sec. 507. Medical Marijuana Program Report and Fees – REVISED

Requires LARA to submit a report pertaining to revenue, expenditures, application determinations, and timeliness of the Medical Marijuana Program and other specified information. Revises to exclude requirements for information that is to be contained in the report.

Sec. 515. Regulatory Fees on Child and Adult Care Facilities – REVISED

Requires LARA to assess and collect fees on child care and adult foster care organizations in accordance with existing legislation; the department is required to report these collections to the fiscal agencies. Revises to exclude the requirement that the department report collected fees to the fiscal agencies.

Sec 517. Michigan Automated Prescription System (MAPS) Report – REVISED

Requires LARA to submit a report detailing usage statistics for MAPS, department activities resulting from information obtained from MAPS, and integrations between MAPS and electronic health record systems. Revises to include a more detailed reporting requirement for the types of entities that have integrated their electronic health records systems and to include a reporting requirement for the number of delegate users registered.

Sec. 705. Vocational Rehabilitation Matching Funds – DELETED

Requires BSBP to work collaboratively with service organizations and government entities to identify match dollars and maximize federal vocational rehabilitation funds.

Sec 902. Medical Marijuana Registry Cards Report and Grants to County Law Enforcement – DELETED

Stipulates LARA is to award Medical Marijuana Operation and Oversight Grants to county law enforcement offices; requires LARA to post a listing of available grant funds; requires reports to be submitted by both county sheriffs' offices and LARA pertaining to the amounts, recipients, and uses of the grants; and permits county sheriffs' offices to distribute discretionary grants to municipal law enforcement agencies.

Sec. 905. Michigan Indigent Defense Commission Performance Metrics – NEW

Requires the Michigan Indigent Defense Commission to implement performance metrics and to prepare a report on the performance metrics.

Supplemental Recommendations for FY 2017-18 Appropriations

**FY 2017-18
Recommendation**

1. Nurse Aide Training and Registration Program

Includes \$600,000 from the Nurse Aide Registration Fund to allow the Bureau of Community and Health Systems to implement the Nurse Aide Training and Registration Program, pursuant to 2017 PA 172.

Gross	\$600,000
Restricted	600,000
GF/GP	\$0