



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:

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

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

Key Budget Terms

Fiscal Year: The state's fiscal year (FY) runs from October to September. FY 2019-20 is October 1, 2019 through September 30, 2020.

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.

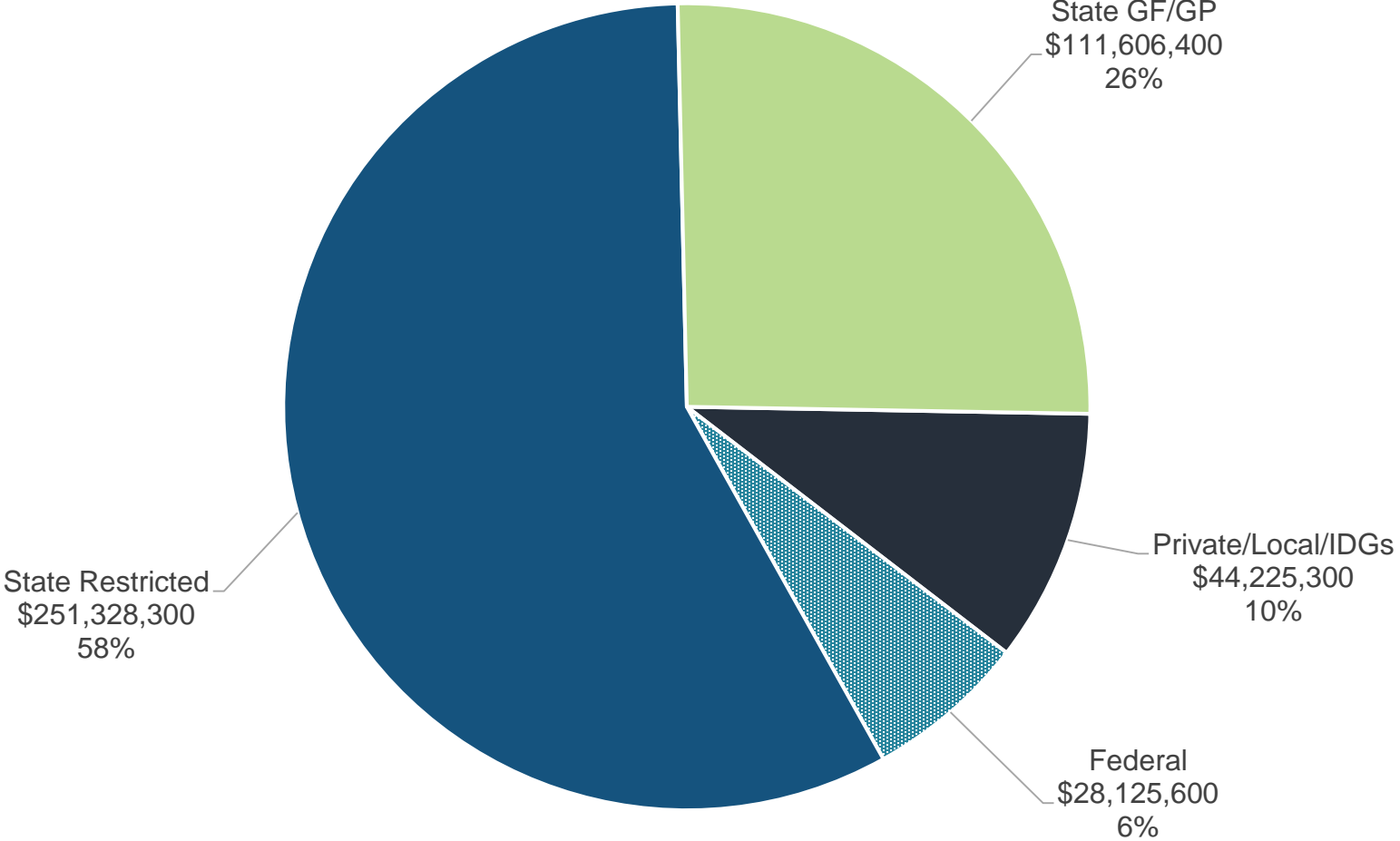
Funding Sources

FY 2019-20 LARA Budget

Fund Source	Funding	Description
Gross Appropriations	\$435,285,600	Total spending authority from all revenue sources
Interdepartmental Grants (IDG) Revenue	44,225,300	Funds received by one state department from another state department, usually for services provided
Adjusted Gross Appropriations	\$391,060,300	Gross appropriations excluding IDGs; avoids double counting when adding appropriation amounts across budget areas
Federal Revenue	28,125,600	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	251,328,300	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	\$111,606,400	Unrestricted revenue from taxes and other sources available to fund basic state programs and other purposes determined by the legislature

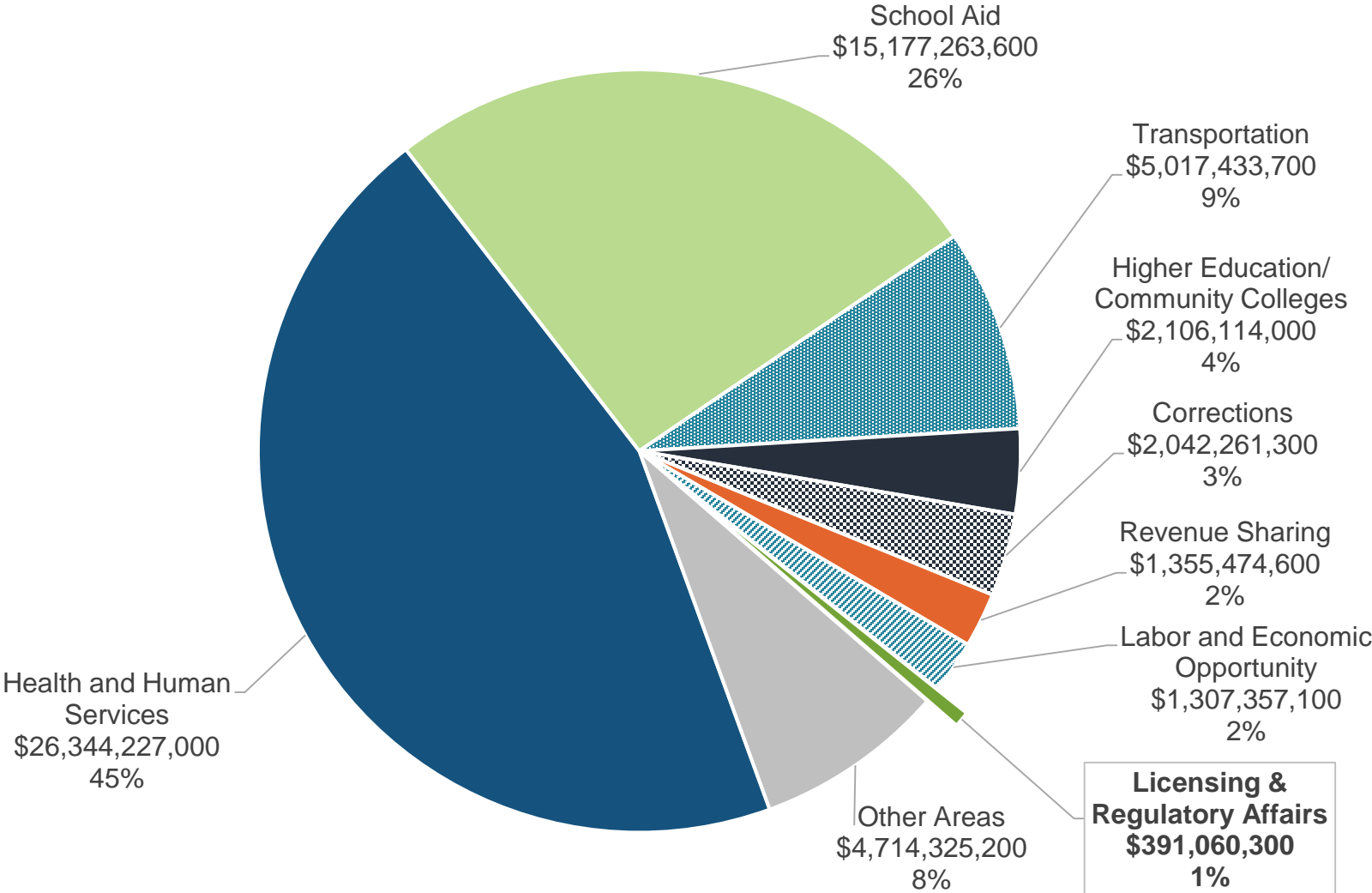
FY 2019-20 Fund Sources

Approximately **58%** of the **\$435.3 million** LARA budget is funded by state restricted revenue generated from fees and fines levied on individuals, activities, and entities regulated by LARA.



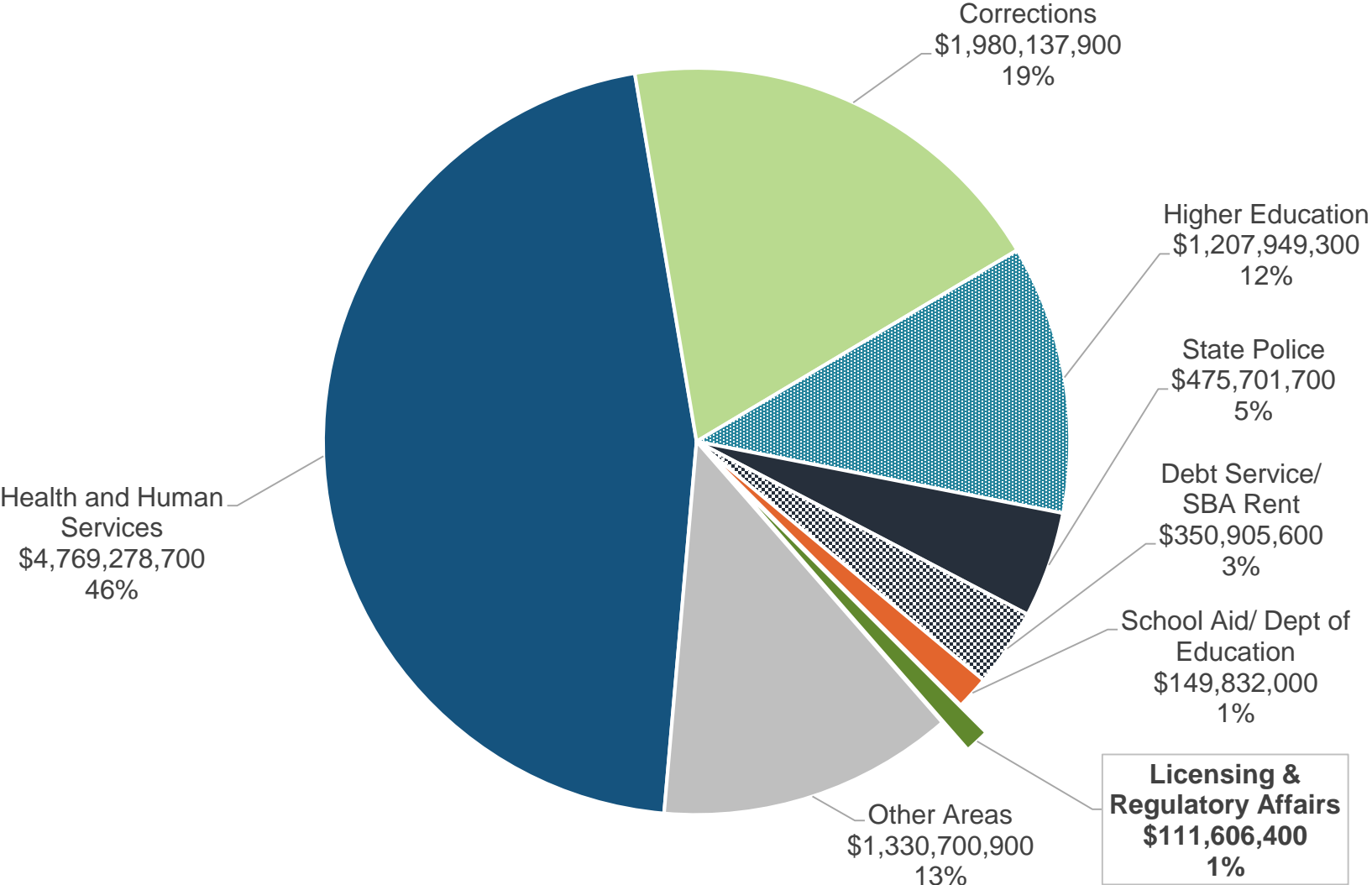
LARA Share of Total State Budget

The LARA budget represents less than 1% of the \$58.5 billion state budget (adjusted gross) for FY 2019-20.



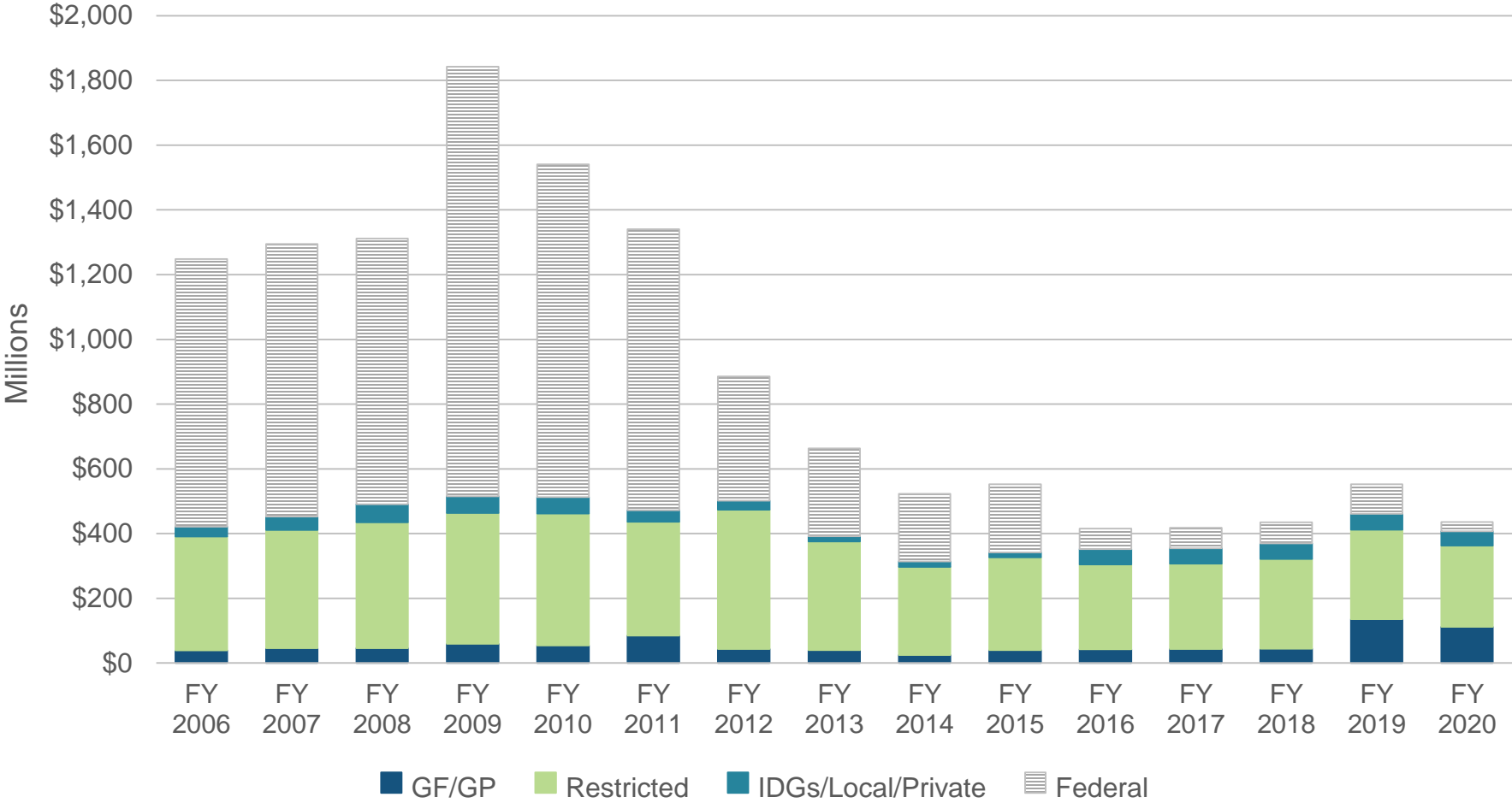
LARA Share of Total GF/GP Budget

The LARA budget represents slightly more than 1% of the state's \$10.4 billion GF/GP budget for FY 2019-20.



LARA Funding History

Funding increases in FYs 2008-09 and 2009-10 were primarily due to temporary federal ARRA grants, while subsequent decreases were caused mainly by reorganizations (transferring of state agencies out of LARA). Funding levels increased in FY 2018-19 due to the transfer of Michigan Indigent Defense Commission Grants from Judiciary and refugee services functions from DHHS. The decrease from FY 2018-19 to FY 2019-20 was mainly from the transfer of LARA functions under EO 2019-13.



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 public utilities

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, health care and human service, and marijuana activities, entities, and facilities

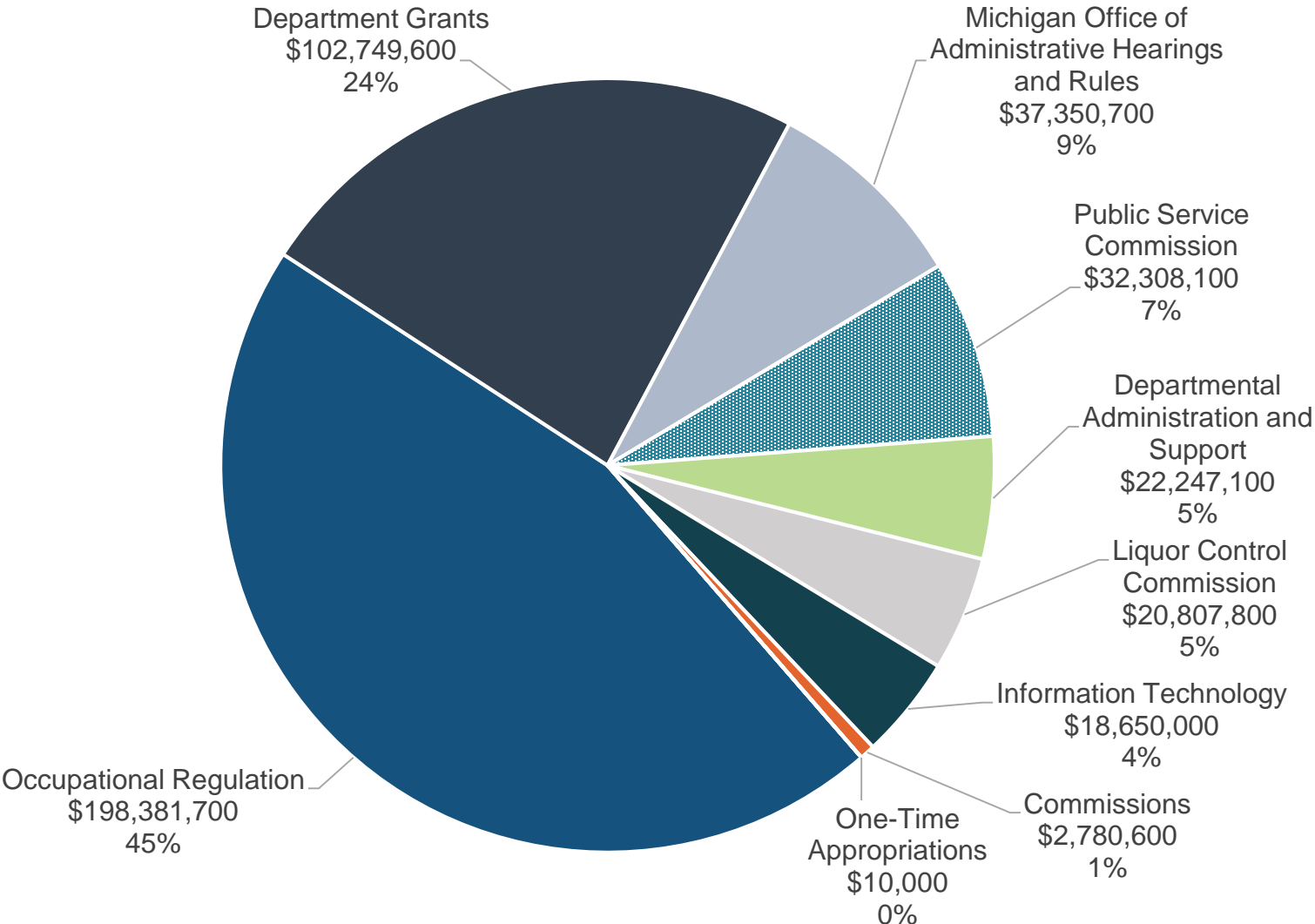
Michigan Office of Administrative Hearings and Rules: Provision of administrative hearing functions and rulemaking

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

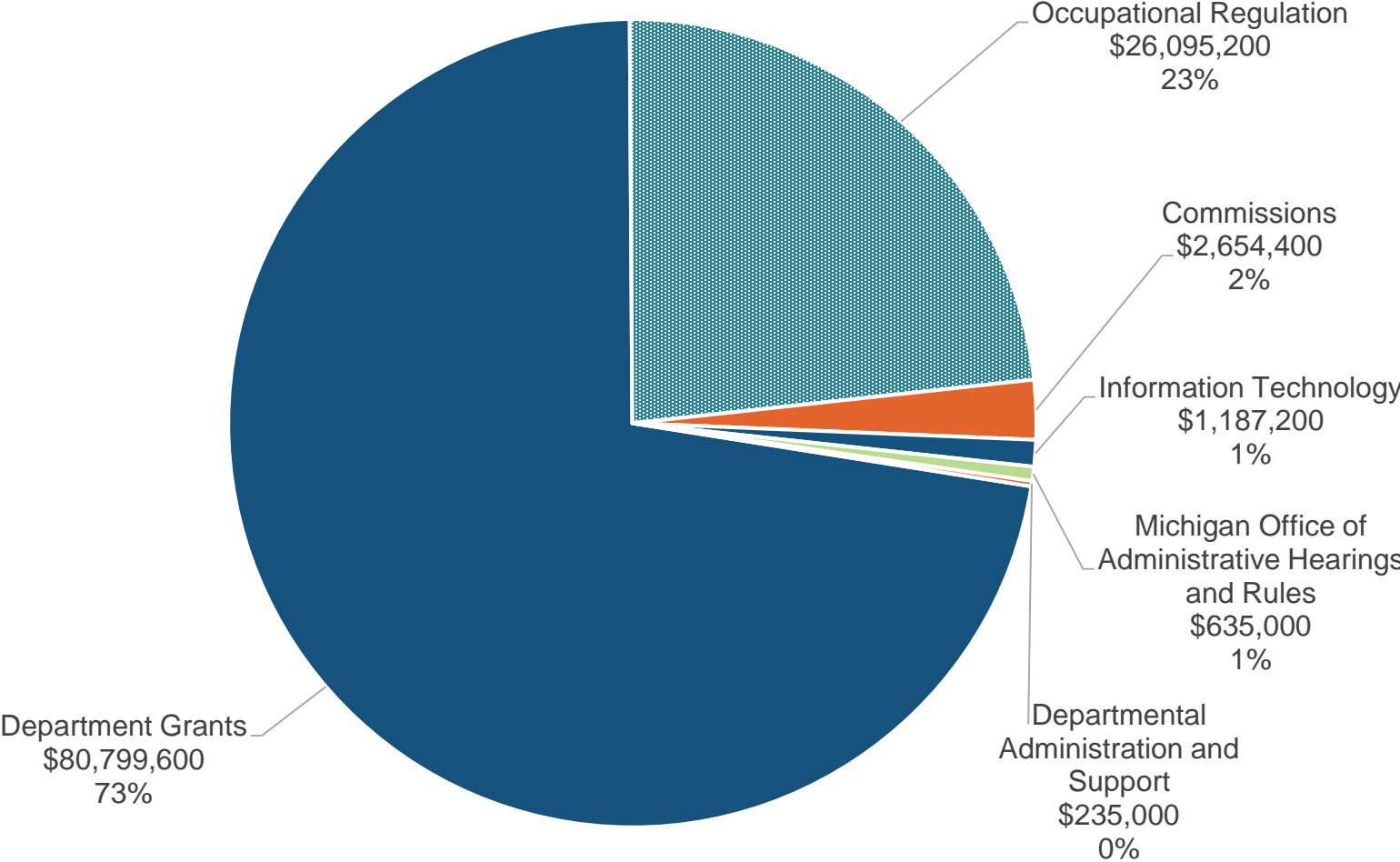
FY 2019-20 Gross Appropriations

Almost half of the \$435.3 million LARA budget supports occupational regulation (45%) which is funded primarily with state restricted revenues.



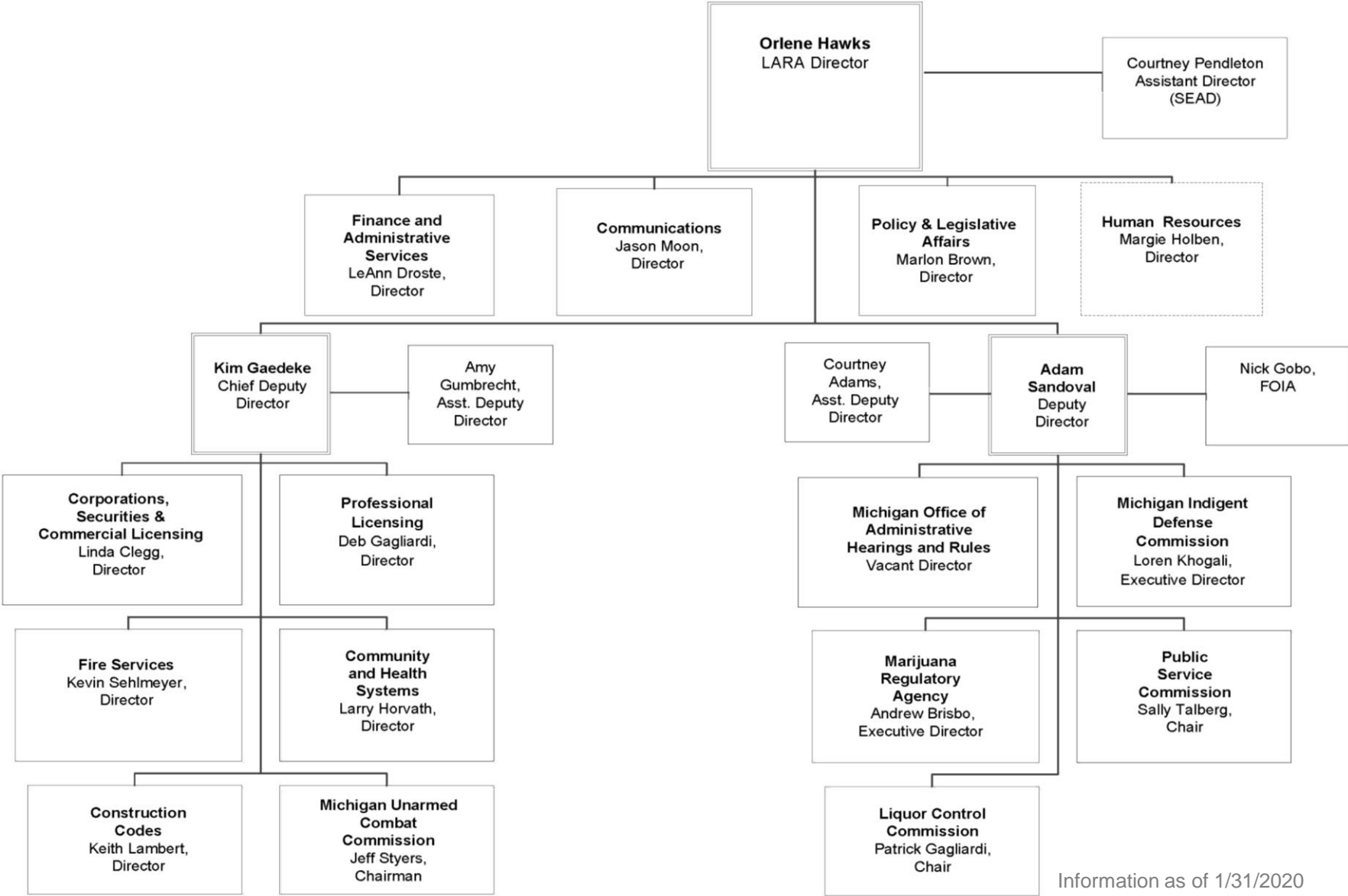
FY 2019-20 GF/GP Appropriations

Approximately **96%** of GF/GP funds (**\$111.6 million**) are contained in the Department Grants (MIDC grants) and Occupational Regulation (primarily for regulating health and human services facilities) appropriation units.



Major Budget Topics

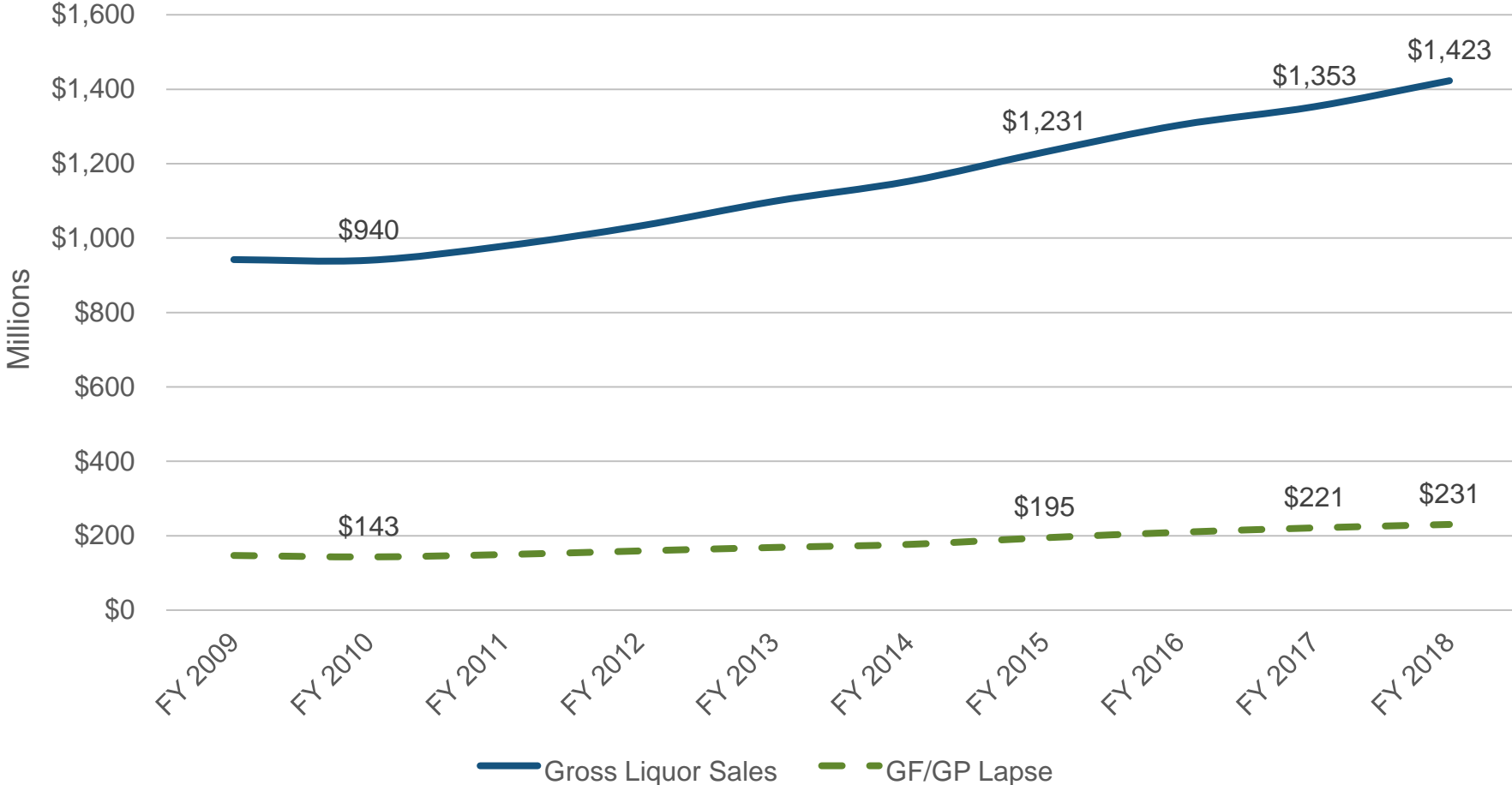
LARA Organizational Chart



Information as of 1/31/2020

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.



Executive Order 2019-13 Reorganization

- EO 2019-13 transferred the following major bureaus and programs to the Department of Labor and Economic Opportunity from the LARA Budget (other items were transferred as well, but are not presented here):
 - Bureau of Employment Relations (**\$4.4 million** Gross)
 - Bureau of Services for Blind Persons (**\$25.1 million** Gross)
 - Insurance Funds Administration (**\$4.7 million** Gross)
 - Michigan Occupational Safety and Health Administration (**\$29.8 million** Gross)
 - Office for New Americans (**\$29.2 million** Gross)
 - Wage and Hour Program (**\$3.9 million** Gross)
 - Workers' Compensation Agency (**\$8.1 million** Gross)
- Amount transferred totaled **\$131.6 million** Gross (**\$13.0 million** GF/GP) and included 27.5 unclassified and 508.4 classified FTE positions.

Marihuana Regulation

- Marihuana-related appropriations in the FY 2019-20 budget include:
 - **\$20.0 million** for Marihuana Treatment Research
 - **\$10.9 million** and 95.0 FTE positions for Medical Marihuana Facilities Licensing and Tracking
 - **\$5.0 million** and 25.0 FTE positions for the Medical Marihuana Program
 - **\$6.0 million** and 30.0 FTE positions for Recreational Marihuana Regulation
- As of December 2019, the following licenses had been approved by the Marijuana Regulatory Agency for medical facilities:
 - 18 Class A Grower Licenses
 - 2 Class B Grower Licenses
 - 135 Class C Grower Licenses
 - 184 Provisioning Center Licenses
 - 6 Safety Compliance Licenses
 - 12 Secure Transporter Licenses
 - 23 Processor Licenses

Marihuana Regulation

- As of December 2019, the following licenses had been approved by the Marijuana Regulatory Agency for recreational facilities:
 - 6 Class C Grower Licenses
 - 6 Retailer Licenses
 - 1 Safety Compliance License
 - 1 Secure Transporter License
 - 3 Processor Licenses
 - 1 Event Organizer License

Michigan Indigent Defense Commission

- **\$2.7 million** (GF/GP) was appropriated to cover the administrative costs of the commission in the FY 2019-20 budget.
- Since beginning in FY 2018-19, grants are now 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.
- 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
- **\$87.0 million** Gross was appropriated for grants in FY 2018-19; and **\$80.1 million** was appropriated for FY 2019-20. Total grants are projected to require **\$110.3 million** in FY 2019-20.

Pending Indigent Defense Standards

- Four standards (standards 5-8) have been submitted by the MIDC to LARA and are pending approval.
- The four standards pertain to:
 - Ensuring independence of indigent defense systems from the judiciary, in political and budgetary terms
 - Limiting indigent defense attorney caseloads
 - Basic requirements and qualifications for attorneys in different case types
 - Economic incentives and disincentives, including attorney compensation
- There are no cost estimates currently available. However, based on costs for the first four standards, the state's portion of costs for standards 5-8, if approved, could be in the tens of millions of dollars.

Departmental Grant Programs

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. Grants are used for enforcement of the Liquor Control Code of 1998 and rules promulgated under the Code.

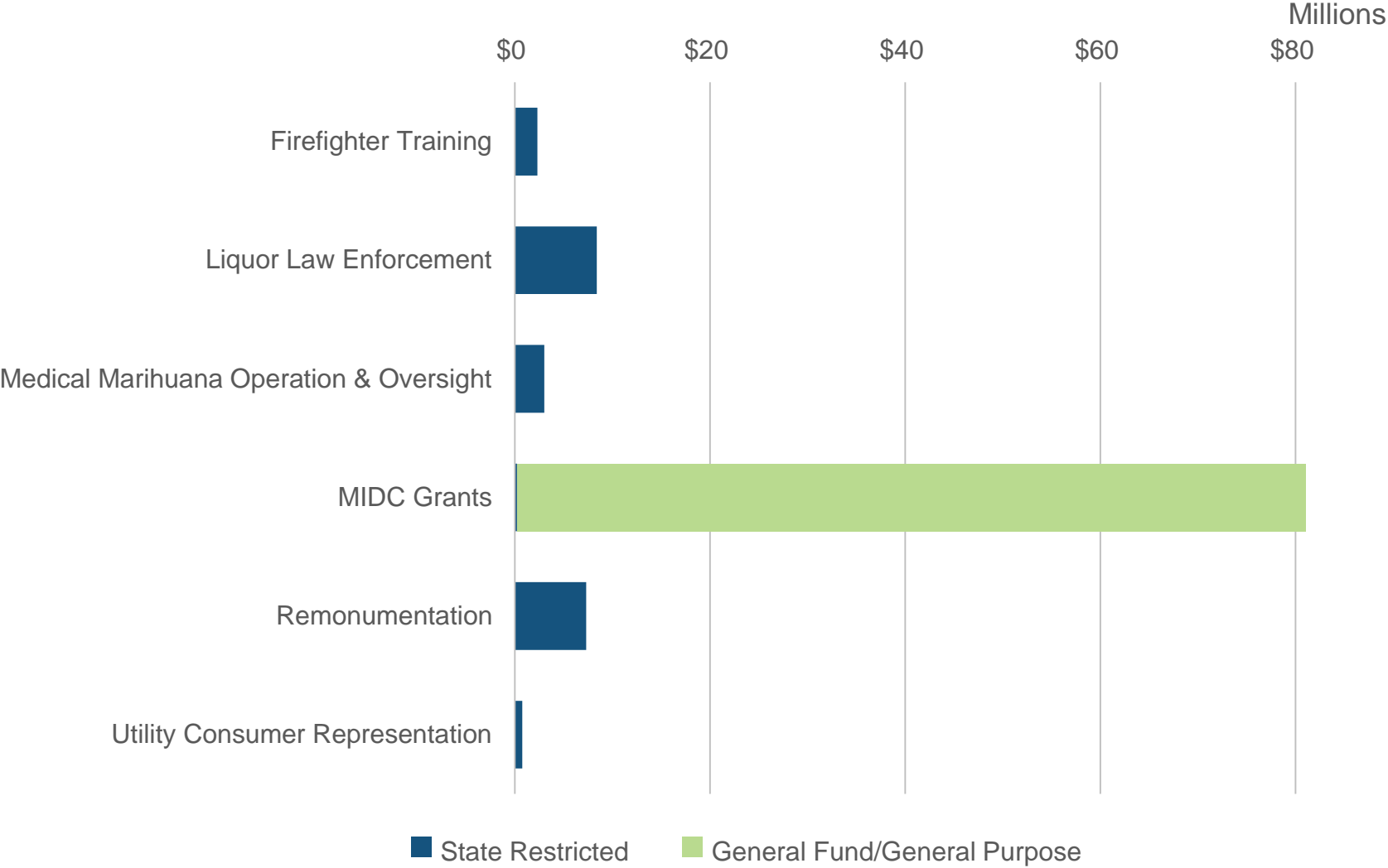
Medical Marihuana Operation & Oversight: Awarded to counties, upon application and proportional to the number of medical marihuana registration cards issued or renewed in each county, for education and outreach regarding the Michigan Medical Marihuana Act.

MIDC Grants: Awarded to funding units of district and circuit courts to implement provisions in MIDC-approved compliance plans in order to bring indigent defense systems into compliance with standards established by the MIDC.

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

Utility Consumer Representation: Awarded to nonprofit organizations and local units of government for representation and advancement of the interests of residential utility customers in administrative and judicial proceedings.

Departmental Grant Appropriations



For more information about the Licensing and Regulatory Affairs budget:

HFA Resources

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

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