HOUSE FISCAL AGENCY

# 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) 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.

# Key Budget Terms

**Fiscal Year:** The state's fiscal year (FY) runs from October to September. FY 2026-27 is October 1, 2026 through September 30, 2027.

**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 that establishes spending authorization for a particular program or function in a budget bill.

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

**Lapses:** 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.

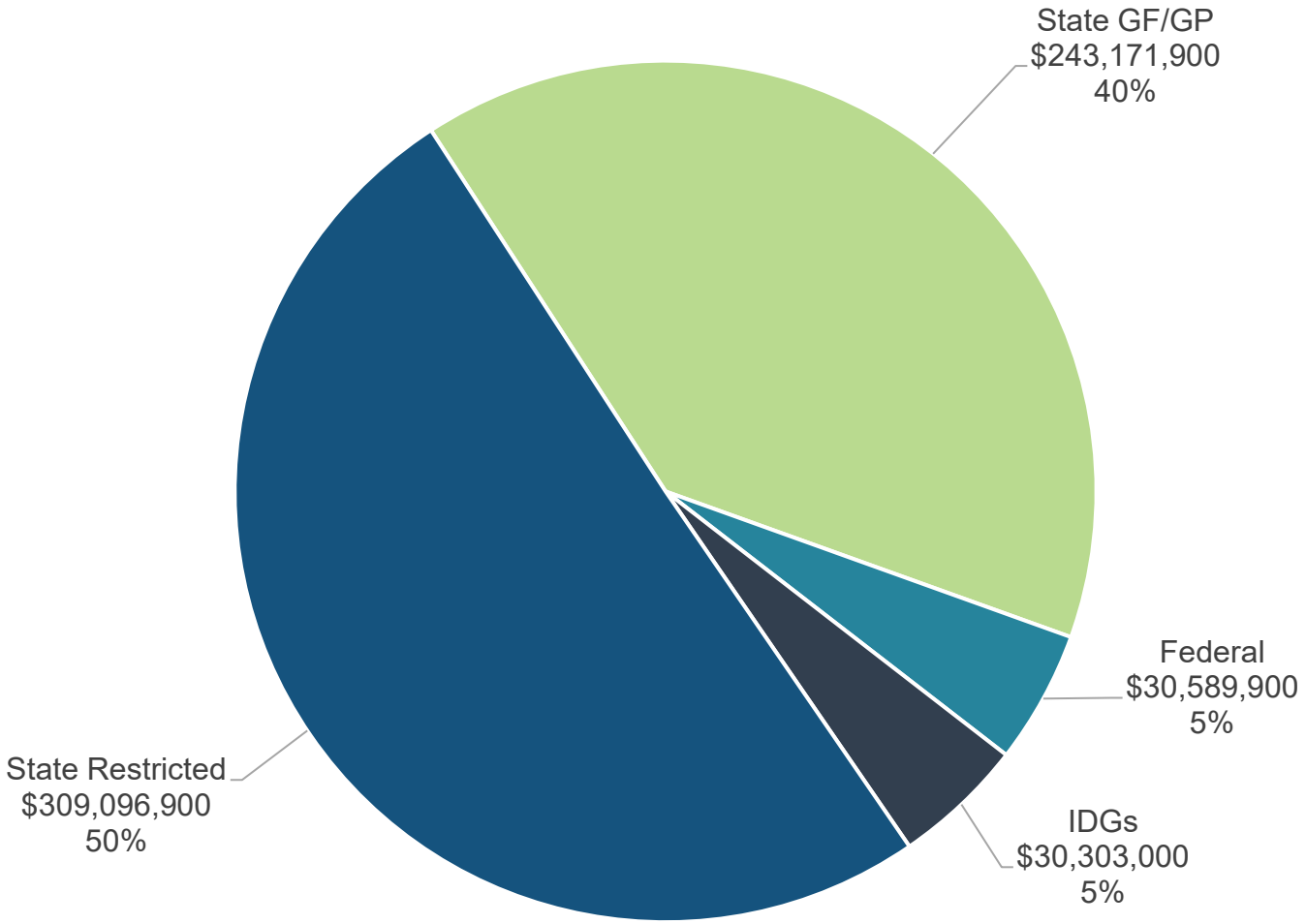
# Funding Sources

# FY 2026-27 LARA Budget

| Fund Source | Funding | Description |
|---|---|---|
| Gross Appropriations | $613,161,700 | Total spending authority from all revenue sources |
| Interdepartmental Grants (IDG) Revenue | 30,303,000 | Funds received by one state department from another state department, usually for services provided |
| Adjusted Gross Appropriations | $582,858,700 | Gross appropriations excluding IDGs; avoids double counting when adding appropriation amounts across budget areas |
| Federal Revenue | 30,589,900 | 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 | 309,096,900 | 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 | $243,171,900 | Unrestricted revenue from taxes and other sources available to fund basic state programs and other purposes determined by the legislature |

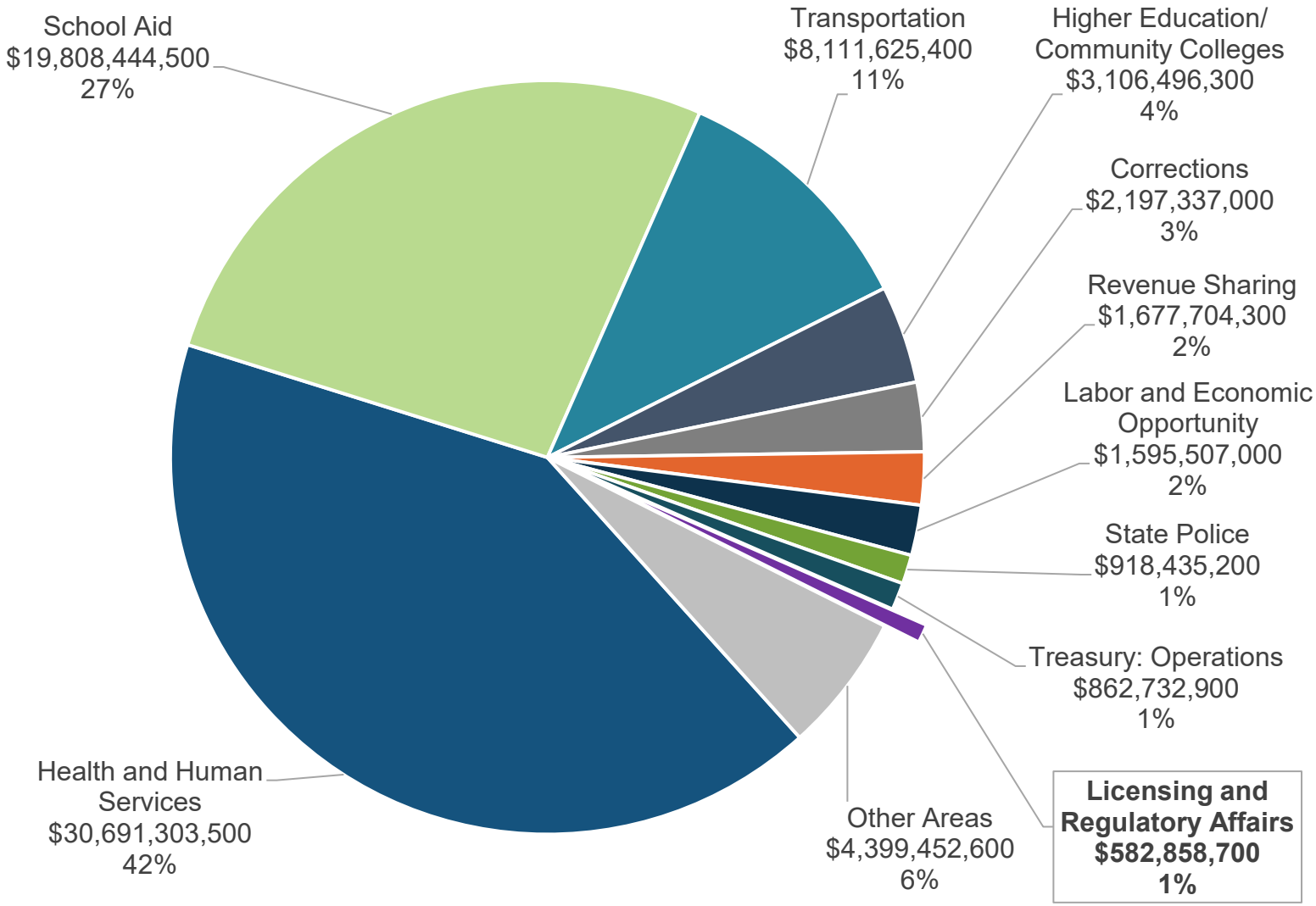
# FY 2026-27 Fund Sources

Approximately **50%** of the **$613.2 million** LARA budget is funded by state restricted revenue generated from fees and fines levied on individuals, entities, and activities regulated by LARA.



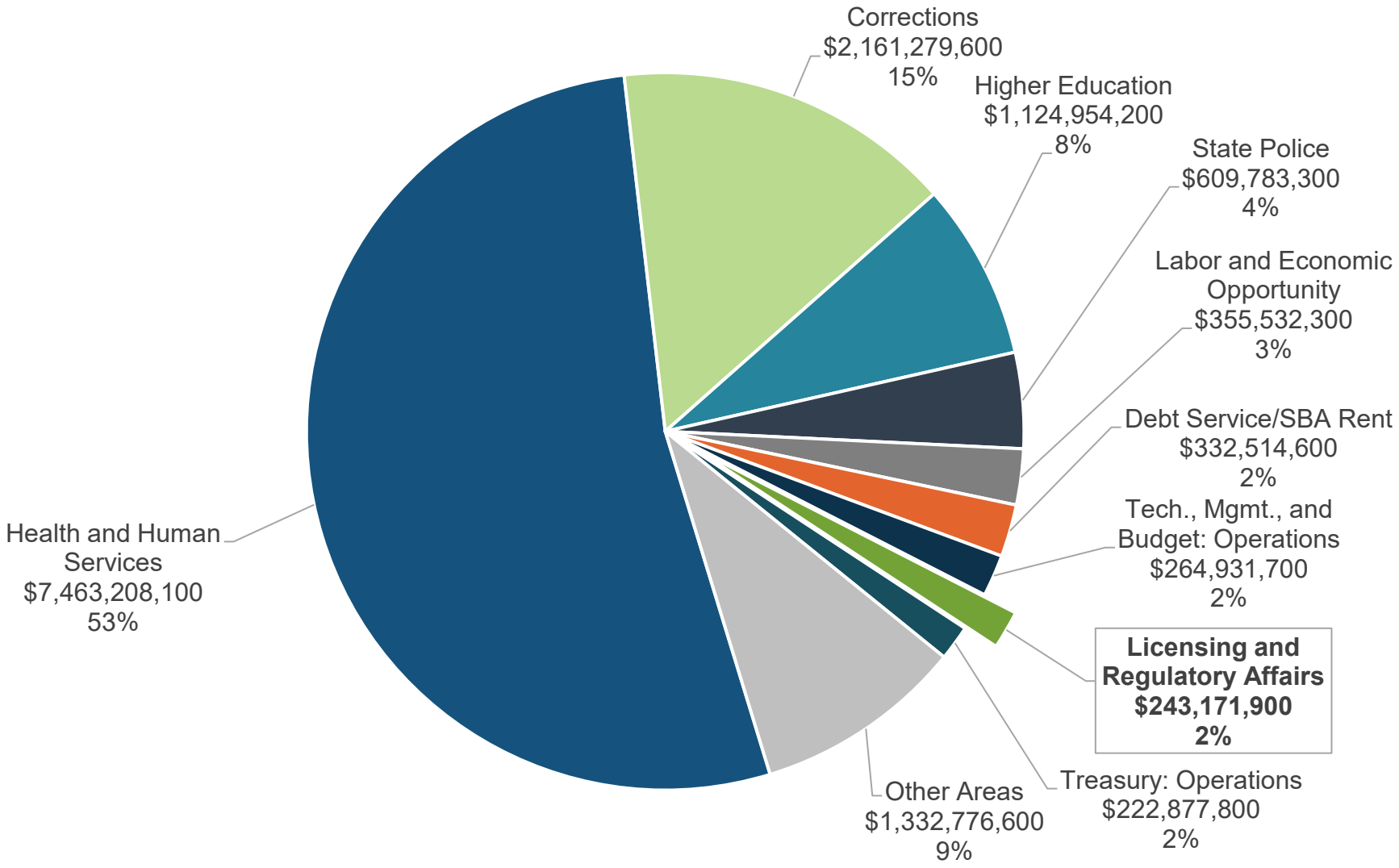
# LARA Share of Total State Budget

The LARA budget represents approximately **1%** of the **$74.0 billion** state budget (adjusted gross) for FY 2026-27.



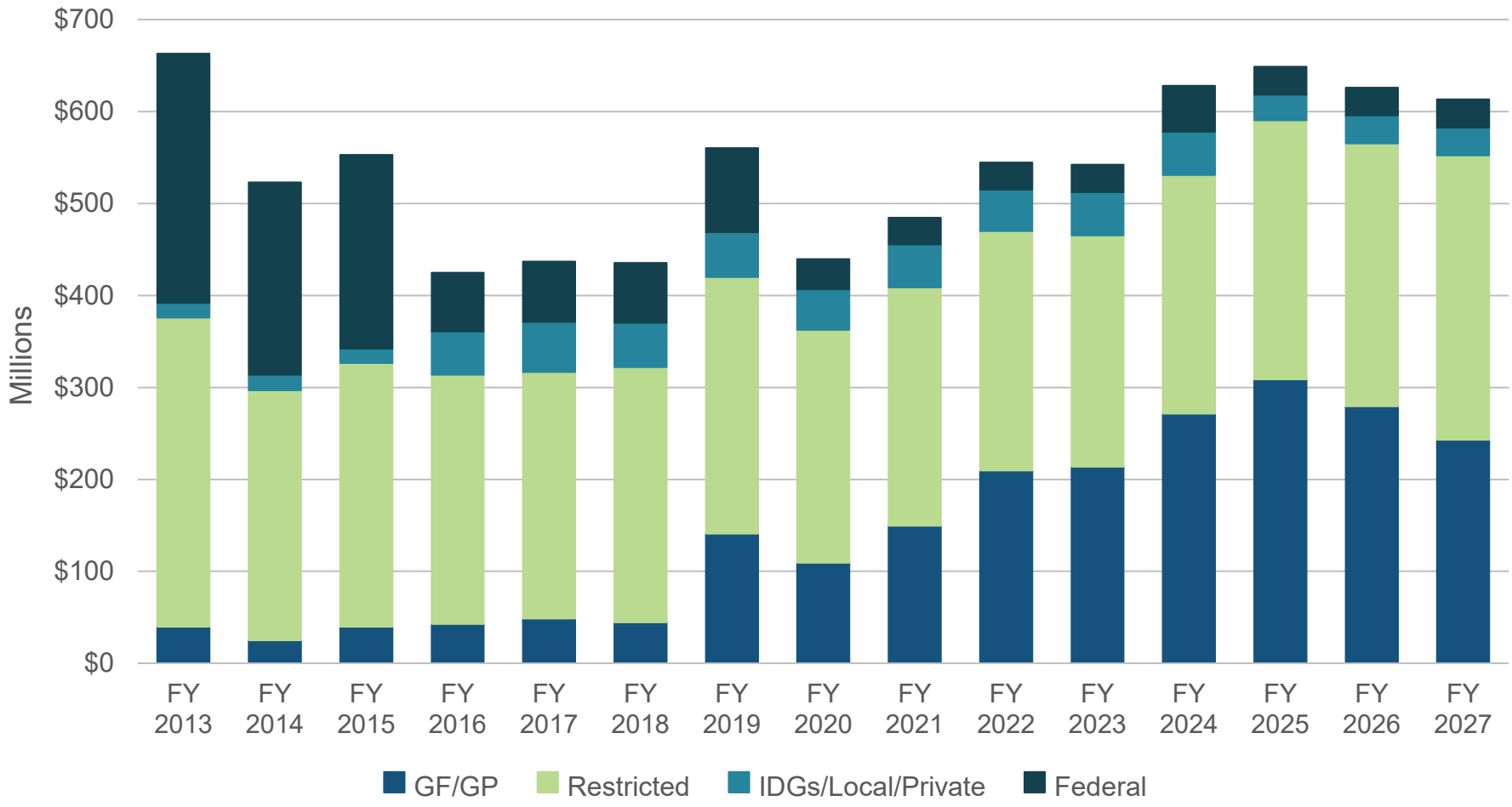
# LARA Share of Total GF/GP Budget

The LARA budget represents approximately **2%** of the state's **$14.1 billion** GF/GP budget for FY 2026-27.



# LARA Funding History

Funding fluctuations are largely resulting from reorganizations (transferring of state agencies into and out of LARA). Increased GF/GP funding beginning in FY 2018-19 is primarily due to the distribution of MIDC Grants.



# Appropriation Areas

# LARA Appropriation Areas

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

**Public Service Commission:** 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

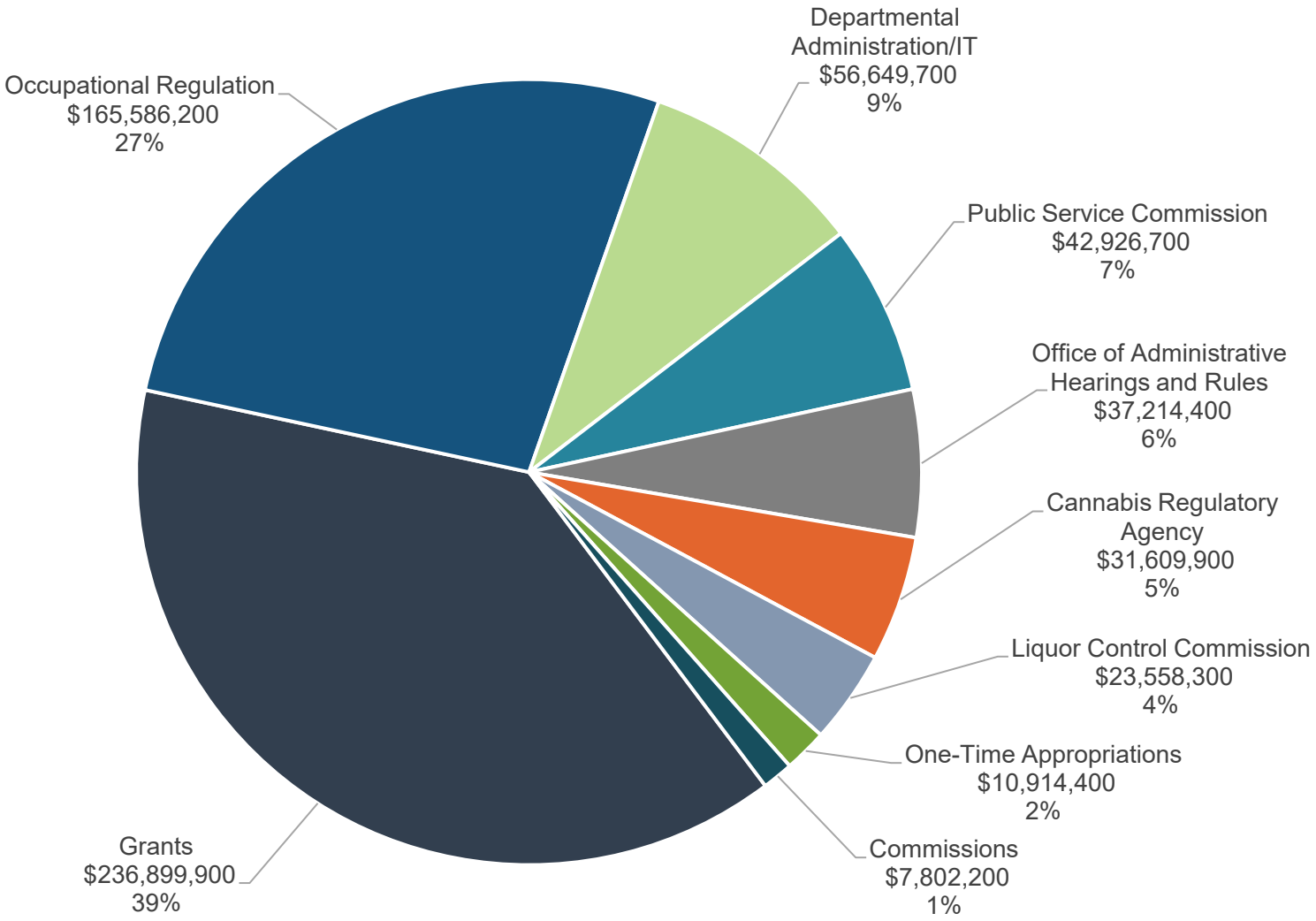
**Michigan Office of Administrative Hearings and Rules:** Provision of administrative hearing functions and rulemaking

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

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

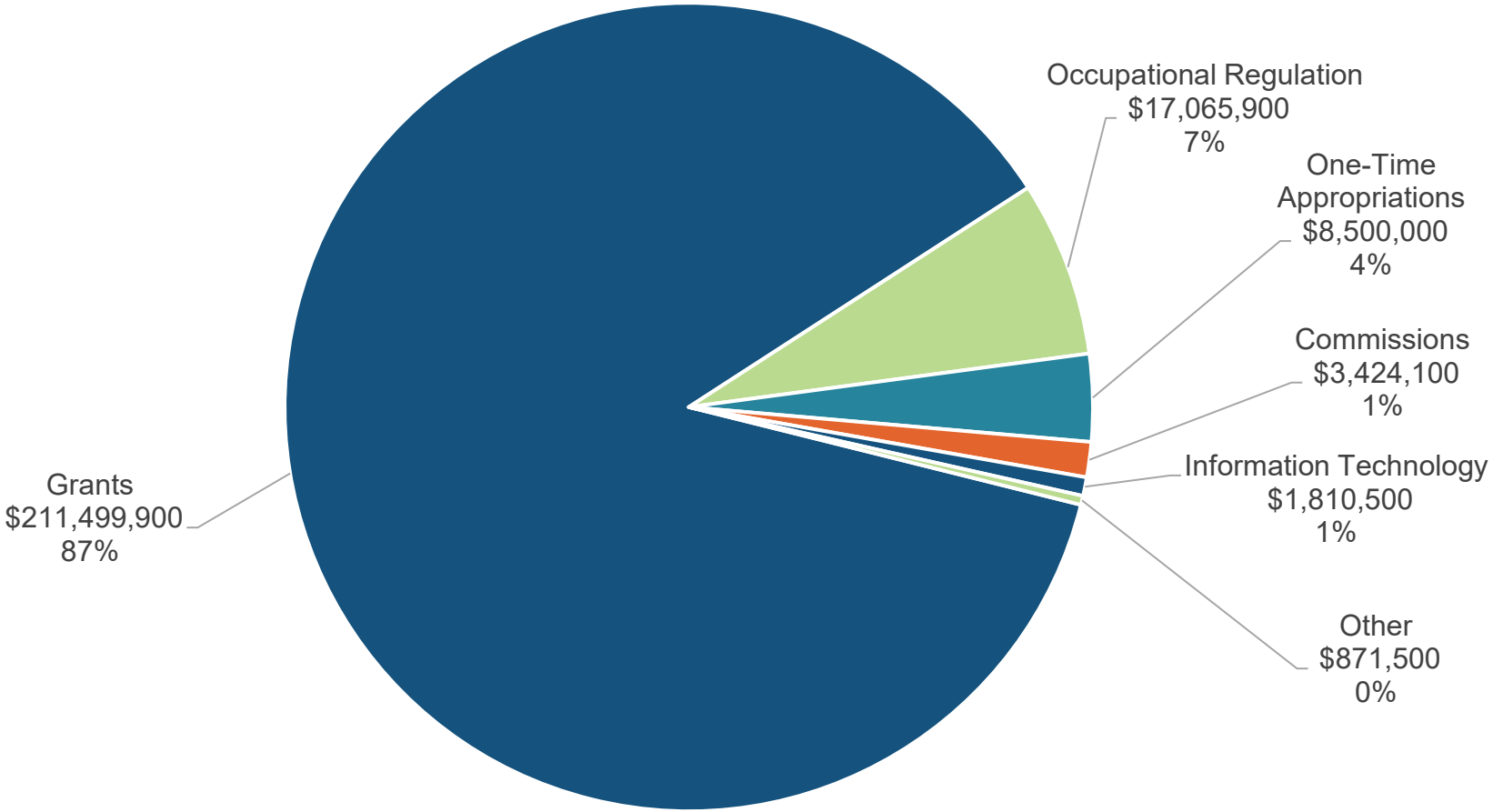
# FY 2026-27 Gross Appropriations

Of the total **$613.2 million** LARA budget, **39%** supports grants, primarily funded by GF/GP, and **27%** supports occupational regulation, primarily funded with state restricted revenues. Additional detail on one-time appropriations can be found on slide 28.



# FY 2026-27 GF/GP Appropriations

Approximately **87%** of the total **$243.2 million** in GF/GP funds are contained in the Grants (for MIDC grants) and Occupational Regulation (primarily for regulating health and human services facilities) appropriation units. Additional detail on one-time appropriations can be found on slide 28.



# Major Budget Topics

# Michigan Public Service Commission

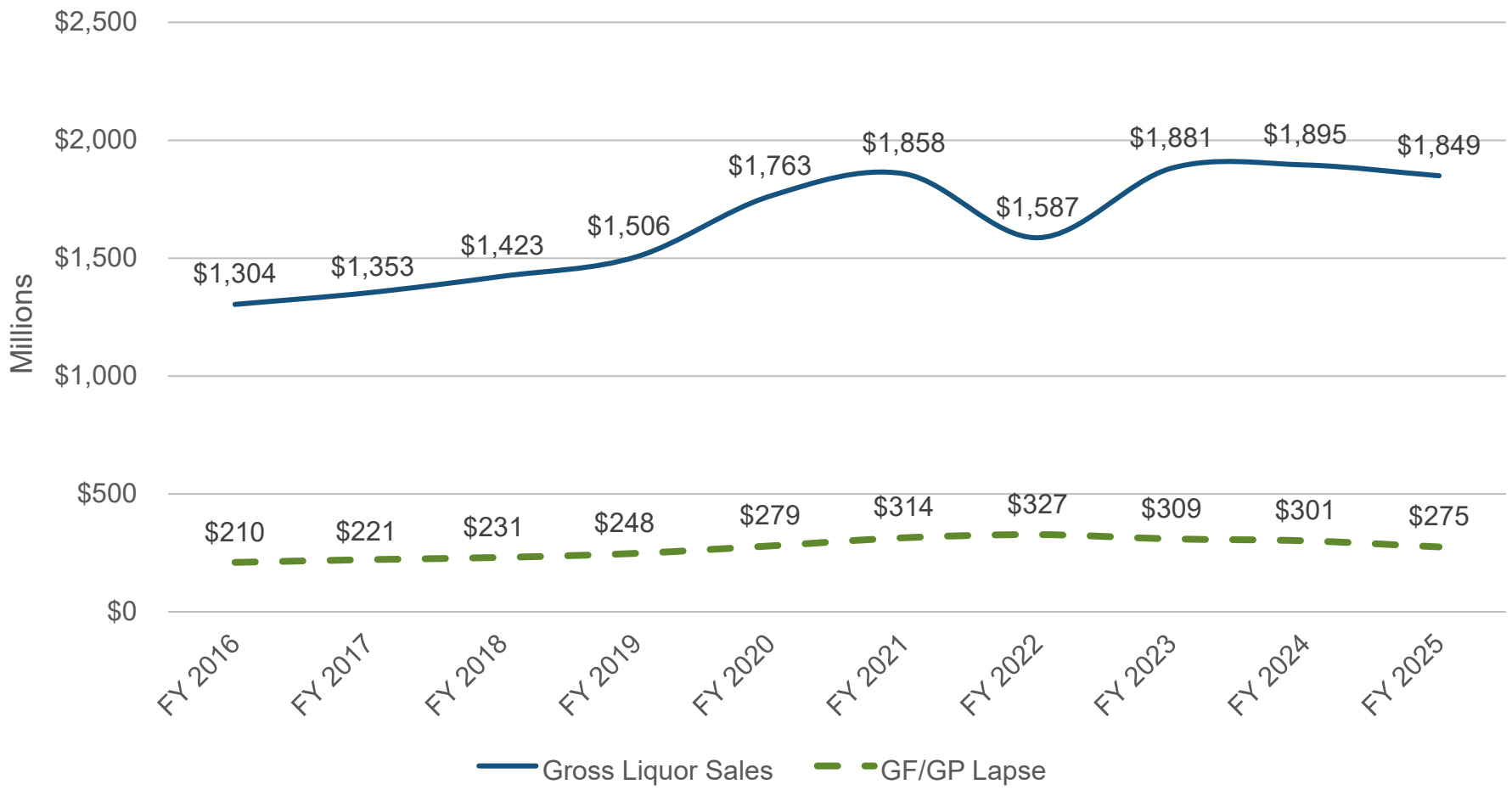
- The Michigan Public Service Commission (MPSC) consists of a three-member body of commissioners appointed by the governor along with a professional staff
- Responsibilities of the Commission include:
  - Enforcing state laws governing the energy and telecommunications industries
  - Regulating the rates and services of privately owned natural gas and electric utility companies
  - Regulating and inspecting natural gas pipeline infrastructure
- MPSC appropriations for FY 2026-27 total **$42.9 million** from the following funding sources:
  - **$2.7 million** from the U.S. Department of Transportation (gas pipeline safety)
  - **$39.7 million** from Public Utility Assessments
  - **$500,000** from Civil Fines, Excavation, and Blasting Fund

# Michigan Liquor Control Commission

- The responsibilities of the Michigan Liquor Control Commission (MLCC) include:
  - Serving as the wholesaler of all spirits in Michigan
  - Issuing licenses to alcohol suppliers, wholesalers, and retailers
  - Enforcing the state's liquor laws and conducting surveillance operations
- The Liquor Control Code requires the MLCC to set minimum liquor prices to ensure the commission and retailers earn profits specified in the code (commission adds a markup and licensees receive a discount)
  - All excess revenue generated by the commission from the sale of liquor is deposited into the state's general fund
- MLCC appropriations for FY 2026-27 total **$23.6 million** from the following restricted funding sources:
  - **$14.3 million** from the Liquor Purchase Revolving Fund
  - **$9.2 million** from licensure and permit fees

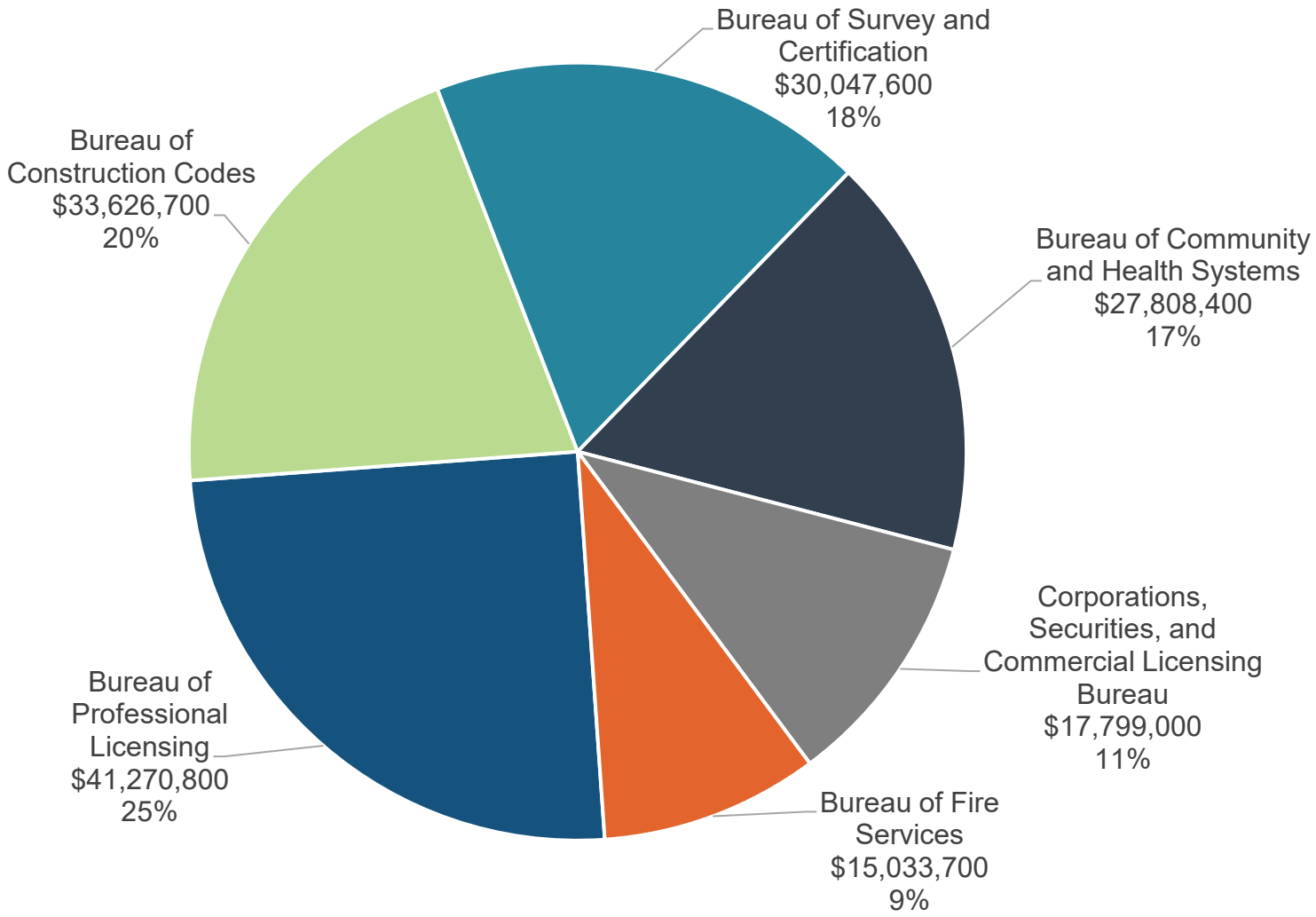
# Liquor Purchase Revolving Fund

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.



# Occupational Regulation

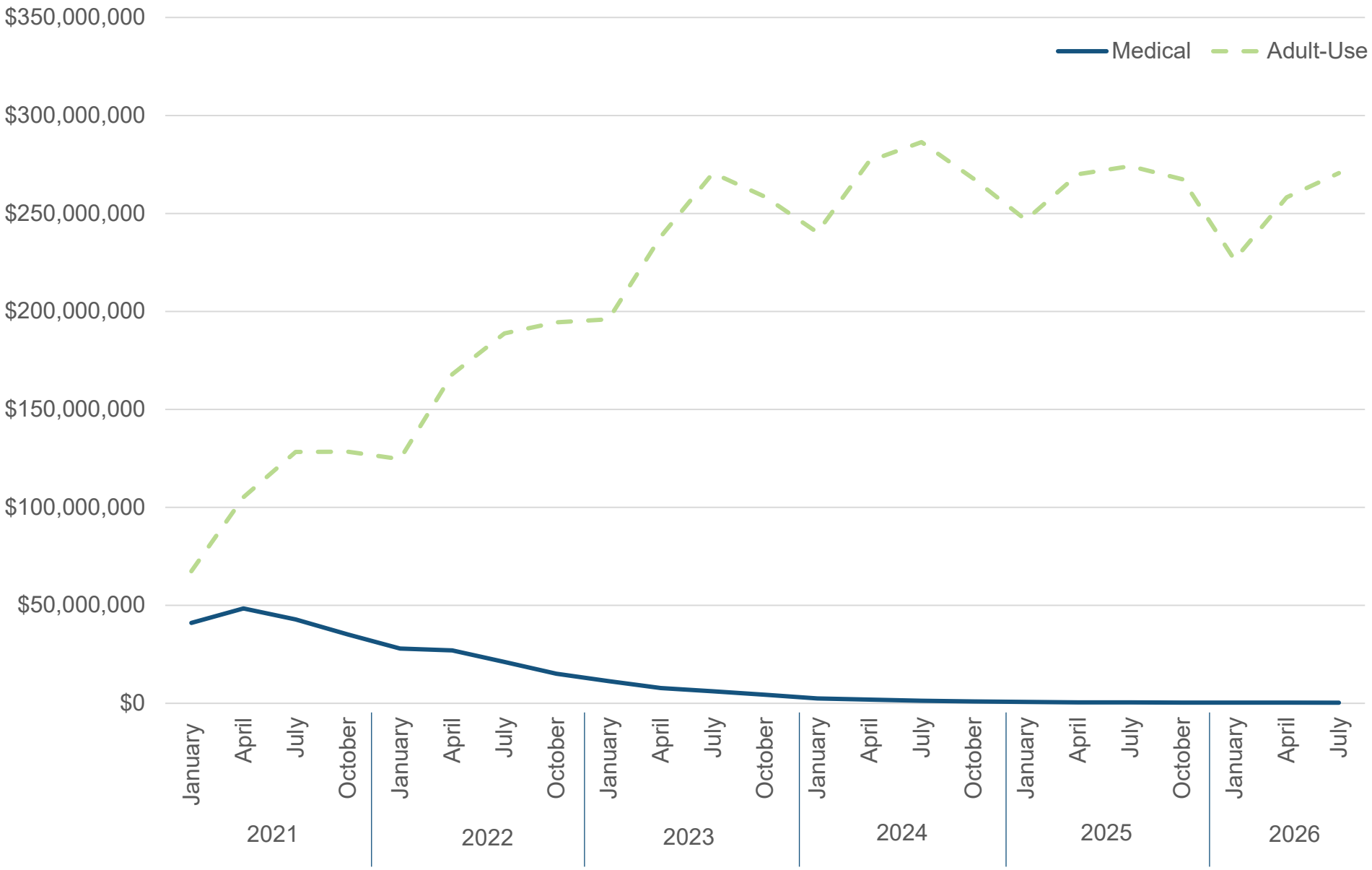
Of the total **$165.6 million** appropriated for the six bureaus displayed below, about **74%** comes from restricted sources, **16%** from federal funds, and **10%** from the general fund.



# Cannabis Regulatory Agency

- The Cannabis Regulatory Agency (CRA) is responsible for oversight of the following areas/programs:
  - Michigan Medical Marihuana Program – state registry cards and caregivers
  - Medical marihuana facilities and licensees
  - Adult-use marihuana establishments and licensees
  - Hemp processor-handlers
- CRA appropriations for FY 2026-27 total **$31.6 million** from the following restricted funding sources:
  - **$22.1 million** from the Marihuana Regulation Fund (adult-use)
  - **$7.5 million** from the Marihuana Regulatory Fund (medical marihuana facilities)
  - **$1.8 million** from the Marihuana Registry Fund (registry card program)
  - **$296,500** from the Industrial Hemp Licensing and Registration Fund

# Marihuana Total Monthly Sales 2021-2026



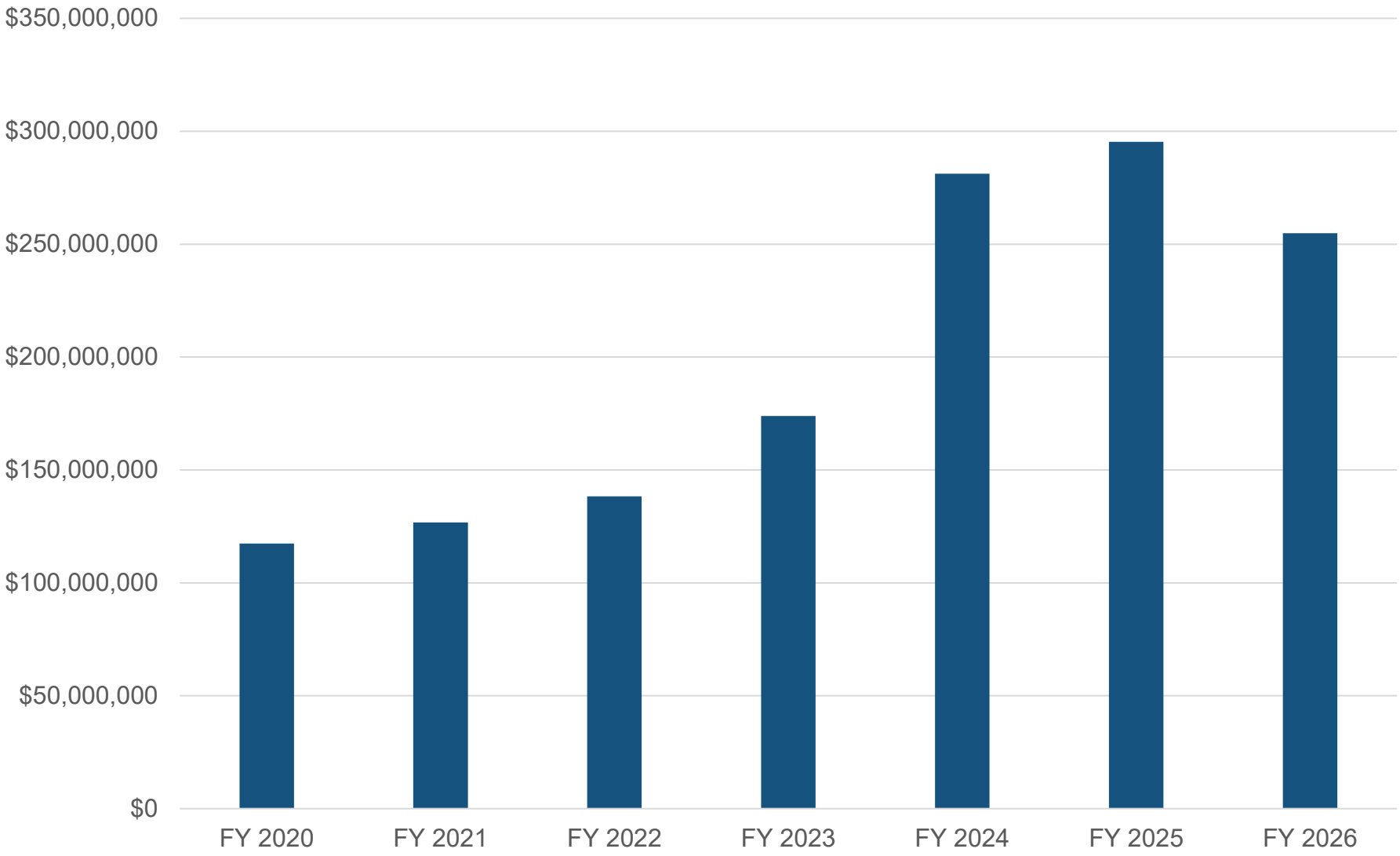
# Michigan Indigent Defense Commission

- **$3.4 million GF/GP** is appropriated to cover administrative costs of the commission in FY 2026-27
- 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 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
  - Indigent defense workloads
  - Attorney qualifications to handle different case types
  - Economic incentives and disincentives, including attorney compensation
- **$211.8 million Gross** is appropriated for grants in FY 2026-27

# MIDC Appropriations

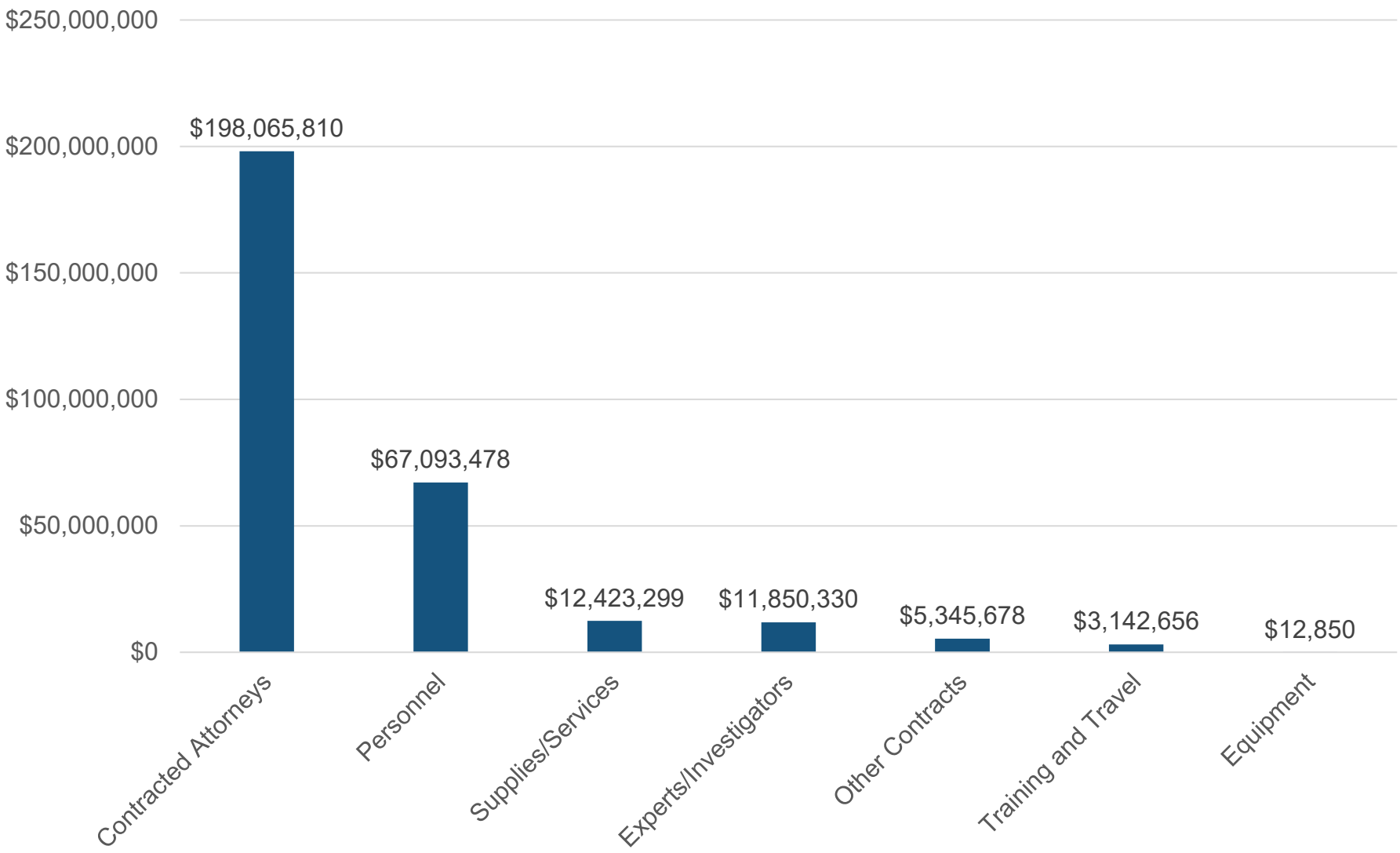
| Fiscal Year | MIDC Administration Funding | MIDC Grant Funding |
|---|---|---|
| FY 2022-23 | $2,763,000 GF/GP | $148,617,400 GF/GP<br>$300,000 Restricted |
| FY 2023-24 | $3,167,400 GF/GP | $220,617,400 GF/GP<br>$300,000 Restricted |
| FY 2024-25 | $3,140,200 GF/GP | $258,045,300 GF/GP<br>$300,000 Restricted |
| FY 2025-26 | $3,378,800 GF/GP | $235,716,800 GF/GP<br>$300,000 Restricted |
| FY 2026-27 | $3,424,100 GF/GP | $211,499,900 GF/GP<br>$300,000 Restricted |

# MIDC Grant Approvals




*FY26 figure is as of June 10, 2026

# FY 2024-25 Indigent Defense System Costs




*Data provided by the MIDC

# Department Grant Programs

**Firefighter Training ($2.3 million Gross):** 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 ($9.9 million Gross):** 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

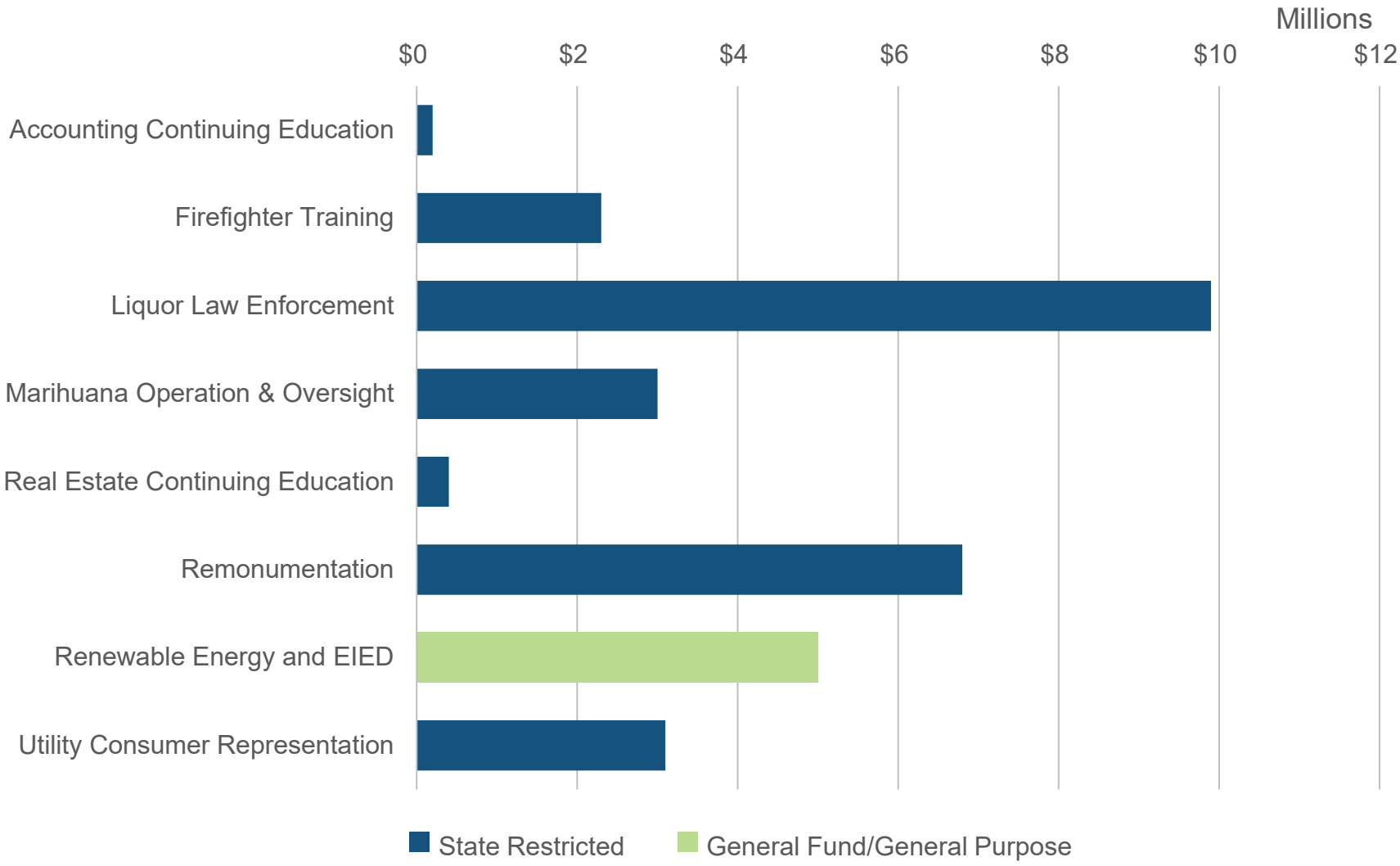
**Marihuana Operation & Oversight ($3.0 million Gross):** Awarded to counties, upon application and proportional to the number of medical marihuana registration cards issued or renewed in each county, for education and outreach regarding the Michigan Medical Marihuana Act

**Remonumentation ($6.8 million Gross):** 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 ($3.1 million Gross):** Administered by the Utility Consumer Participation Board (UCPB) and 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 pertaining to utility rates

It should be noted that one-time grants for Accounting Continuing Education, Real Estate Continuing Education, and Renewable Energy and Electrification Infrastructure Enhancement and Development (EIED) are discussed on slide 28.

# Department Grant Appropriations



# FY 2026-27 One-Time Appropriations

- **Accounting Continuing Education – $200,000** in state restricted authorization for grants to the Michigan Association of CPAs to support maintenance and operation of the continuing education tracker and web portal
- **CRA Social Equity Program – $1.0 million** in state restricted authorization to support a CRA program that promotes participation in the cannabis sector by people from communities that have been disproportionately impacted by marihuana prohibition and enforcement
- **Compact Implementation Fees – $400,000 GF/GP** to support implementation costs associated with interstate licensure compacts, including dues and IT systems
- **Customer Satisfaction Survey – $100,000 GF/GP** to support the measurement and improvement of customer satisfaction, which may include survey administration, dashboard creation, and performance benchmarking
- **Prosecuting Attorneys Coordinating Council – $3.5 million Gross** to support the personnel and operating costs of the Prosecuting Attorneys Coordinating Council (PACC), an autonomous agency responsible for ensuring a uniform system of conduct, duty, and procedure among prosecutors
- **Real Estate Continuing Education – $400,000** in state restricted authorization for grants to the Michigan Realtors Association to support continuing education approval and tracking
- **Renewable Energy and EIED – $5.0 million GF/GP** to support grants to businesses, nonprofit organizations, and local government units for planning, developing, designing, acquiring, or constructing renewable energy and electrification infrastructure projects
- **Tax Tribunal – Small Claims – $359,300** in state restricted authorization for 2.0 limited-term employees to support a backlog in small claims cases within the Tax Tribunal

# 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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