



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
- Energy and public utilities
- Health care and human services
- Medical marihuana
- Occupational safety and health
- Rehabilitation services for the blind
- Workers' compensation

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 2018-19 is October 1, 2018 through September 30, 2019.

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.

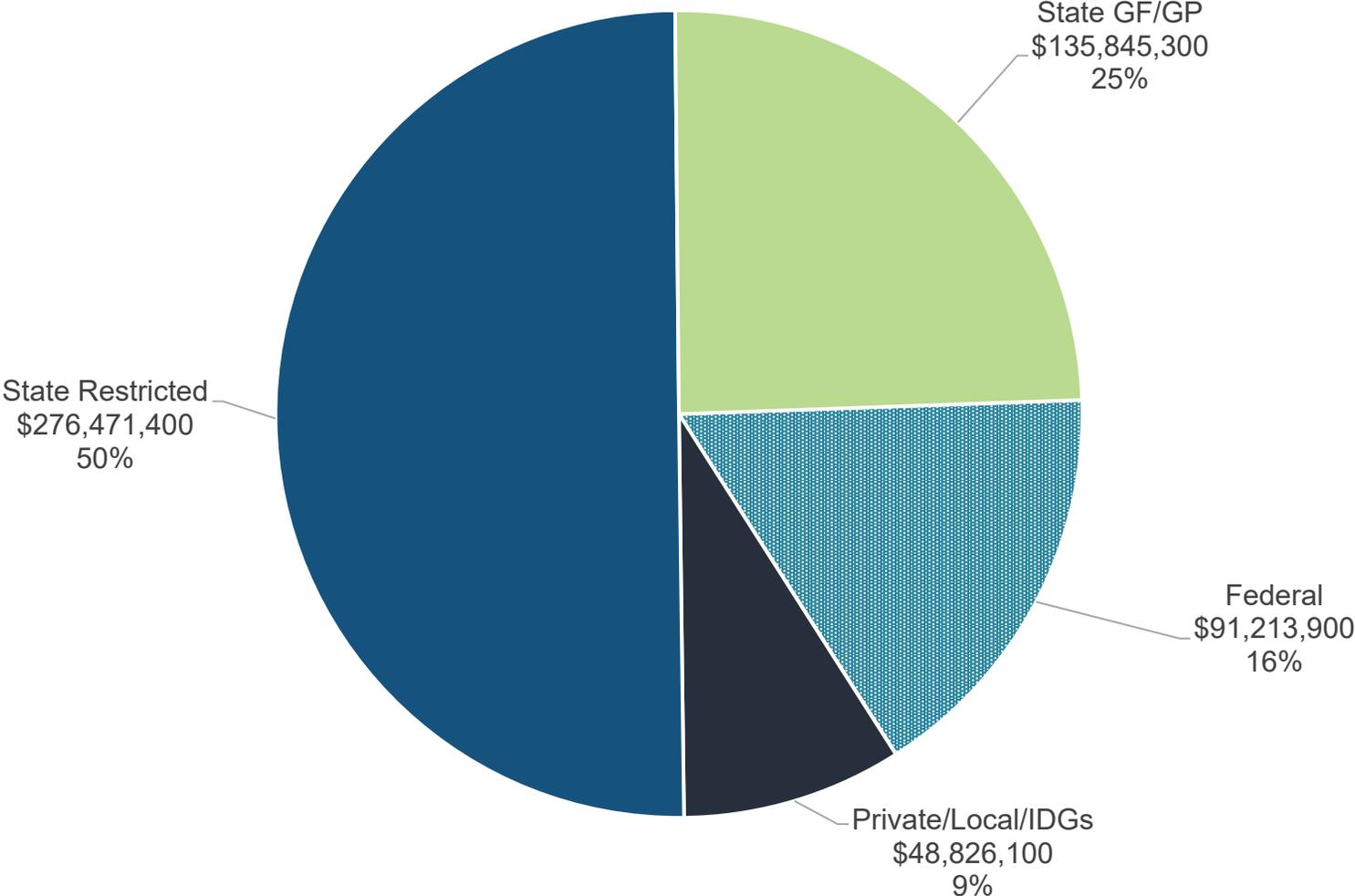
Funding Sources

FY 2018-19 LARA Budget

Fund Source	Funding	Description
Gross Appropriations	\$552,356,700	Total spending authority from all revenue sources
Interdepartmental Grants (IDG) Revenue	48,414,300	Funds received by one state department from another state department, usually for services provided
Adjusted Gross Appropriations	\$503,942,400	Gross appropriations excluding IDGs; avoids double counting when adding appropriation amounts across budget areas
Federal Revenue	91,213,900	Federal grant or matching revenue; generally dedicated to specific programs or purposes
Local Revenue	300,000	Revenue received from local units of government for state services
Private Revenue	111,800	Revenue from individuals and private entities, including payments for services, grants, and other contributions
State Restricted Revenue	276,471,400	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	\$135,845,300	Unrestricted revenue from taxes and other sources available to fund basic state programs and other purposes determined by the Legislature

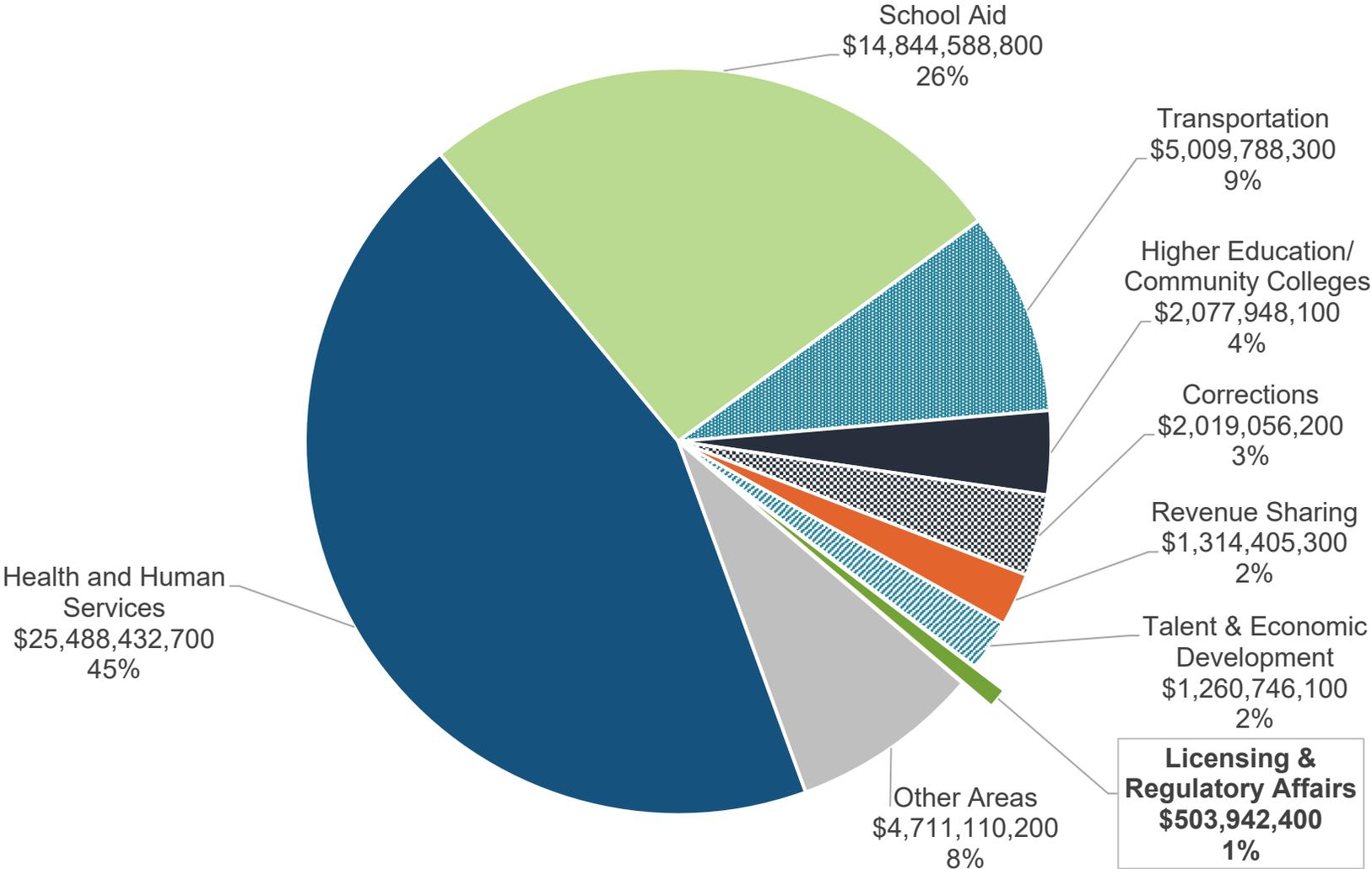
FY 2018-19 Fund Sources

Approximately 50% of the **\$552.4 million** LARA budget is funded by state restricted revenue generated from fees and fines levied on individuals, activities, and entities regulated by LARA.



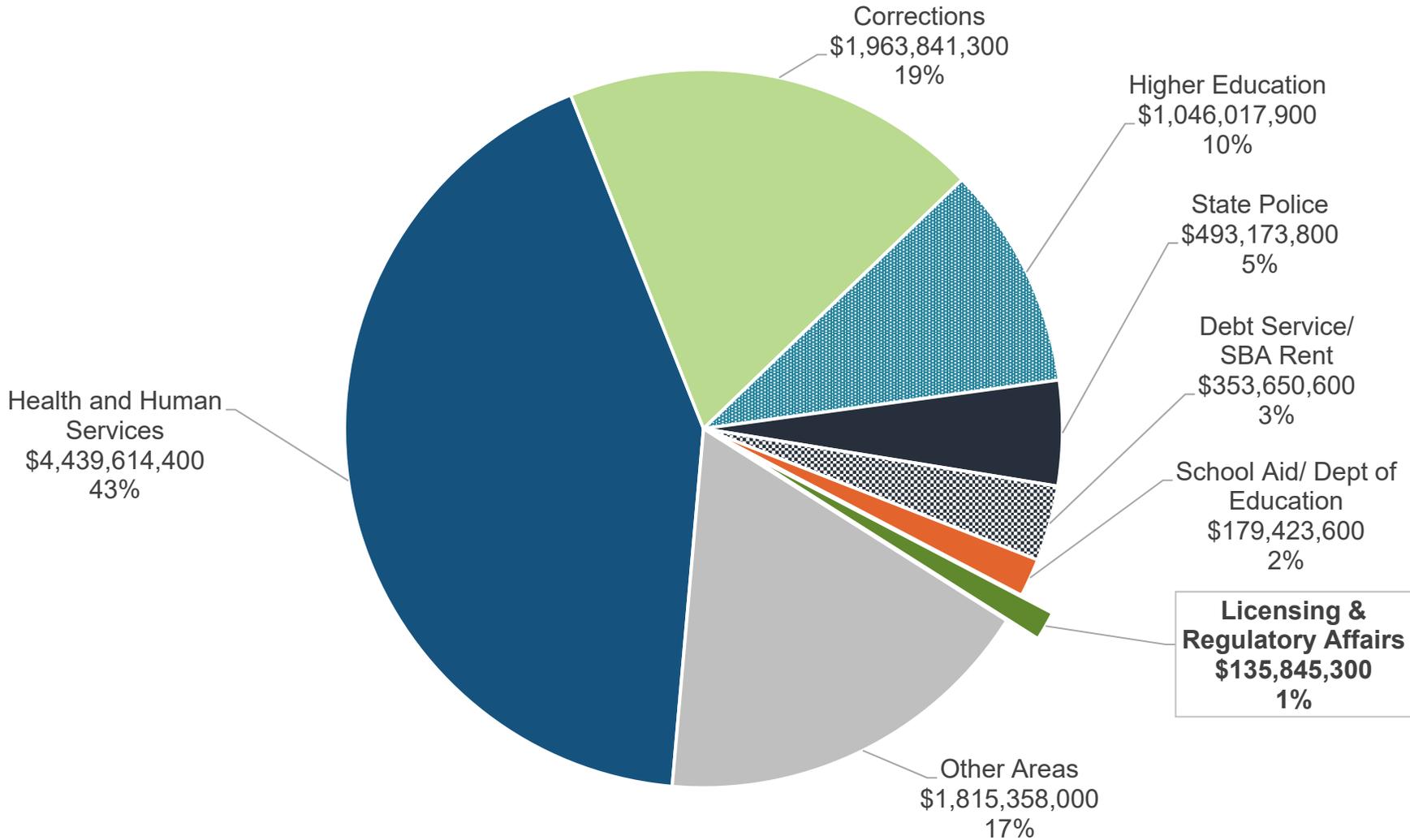
LARA Share of Total State Budget

The LARA budget represents slightly less than 1% of the **\$57.2 billion** state budget (adjusted gross) for FY 2018-19.



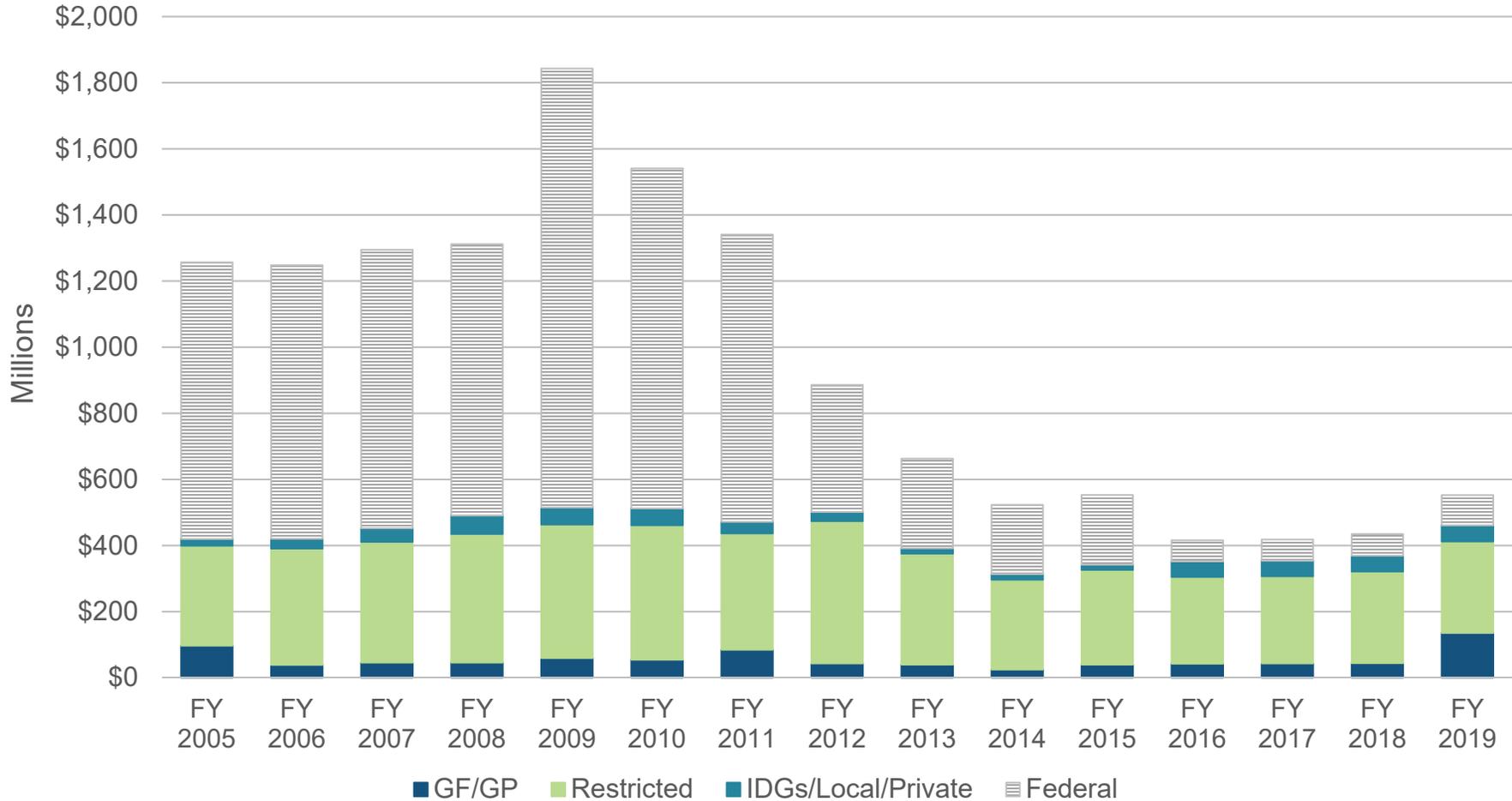
LARA Share of Total GF/GP Budget

The LARA budget represents slightly more than 1% of the state's **\$10.4 billion** GF/GP budget appropriations for FY 2018-19.



LARA Funding History

Increases in funding during FYs 2008-09 and 2009-10 were primarily due to temporary federal ARRA grants, while the subsequent year-over-year decreases were primarily due to reorganizations (transferring of state agencies out of LARA). Increased funding levels in FY 2018-19 were due primarily to Michigan Indigent Defense Commission Grants and the transfer of refugee services functions from DHHS.



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 and Support: Unclassified personnel, executive direction, administrative functions, Michigan Office for New Americans, and overhead expenses for the department

Energy and Utility Programs: Regulation of public utilities and management of the state's energy-related policies and programs

Liquor Control Commission: Regulation of alcoholic beverages and oversight of the state's wholesaling of liquor products

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

Employment Services: Implementation of occupational safety and health standards, labor and wage laws, workers' compensation requirements, and blind vocational services

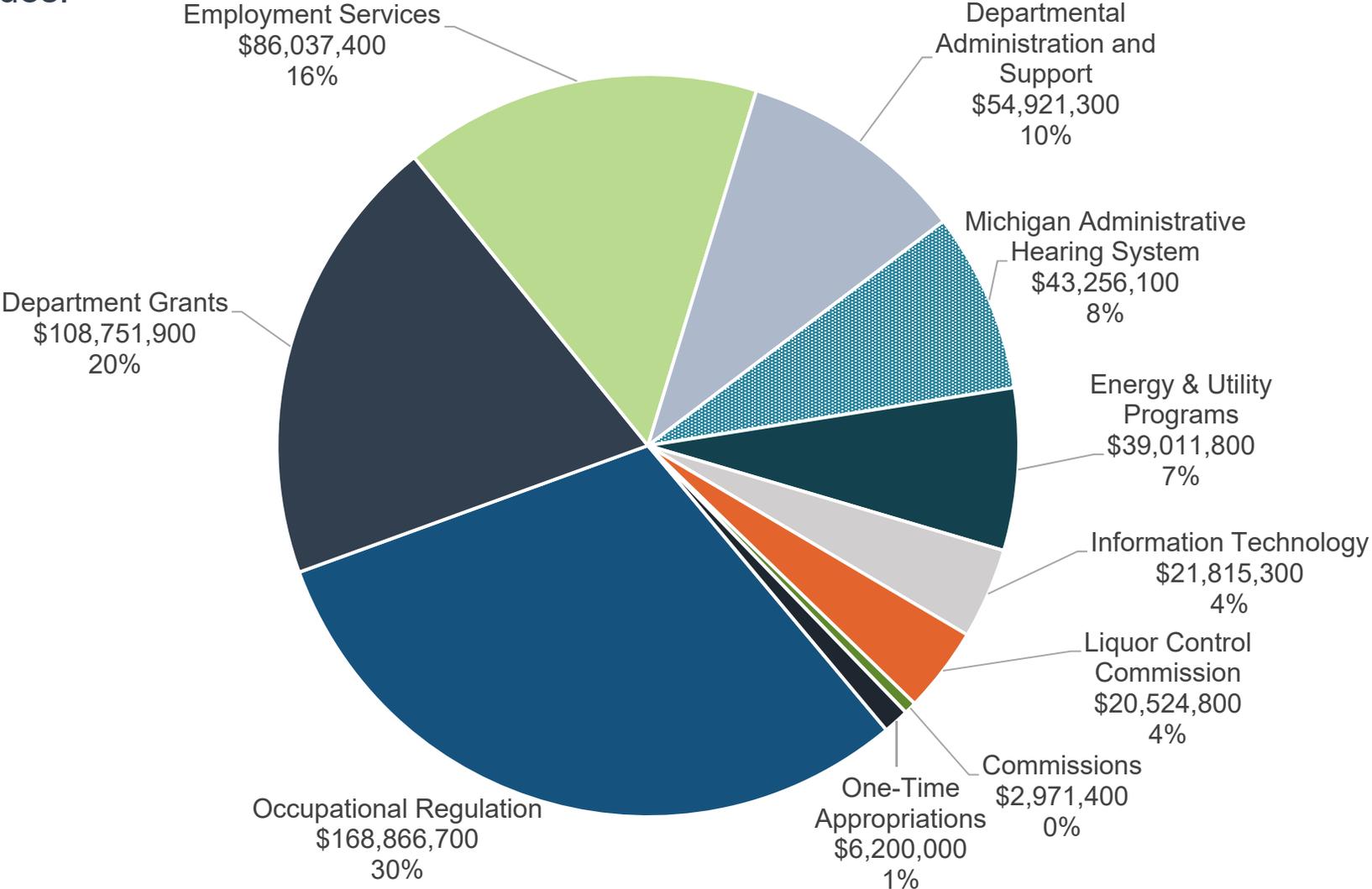
Michigan Administrative Hearing System: Provision of administrative hearing functions throughout state government

Commissions: Staffing and administrative costs for the three ethnic affairs commissions and the Michigan Indigent Defense Commission

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

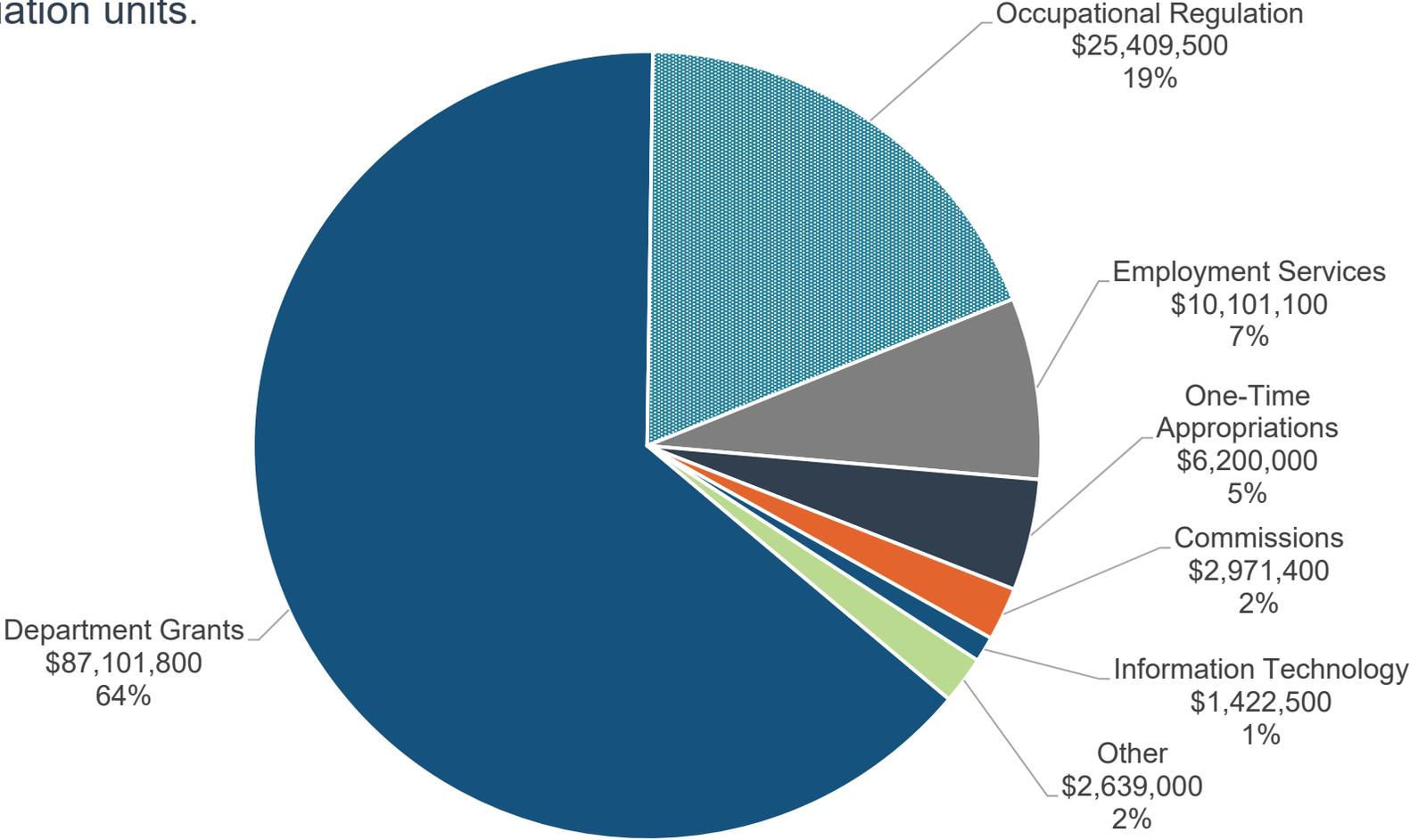
FY 2018-19 Gross Appropriations

Almost half of the **\$552.4 million** LARA budget supports occupational regulation (32%) and employment services (16%), both of which are funded primarily with state restricted revenues.

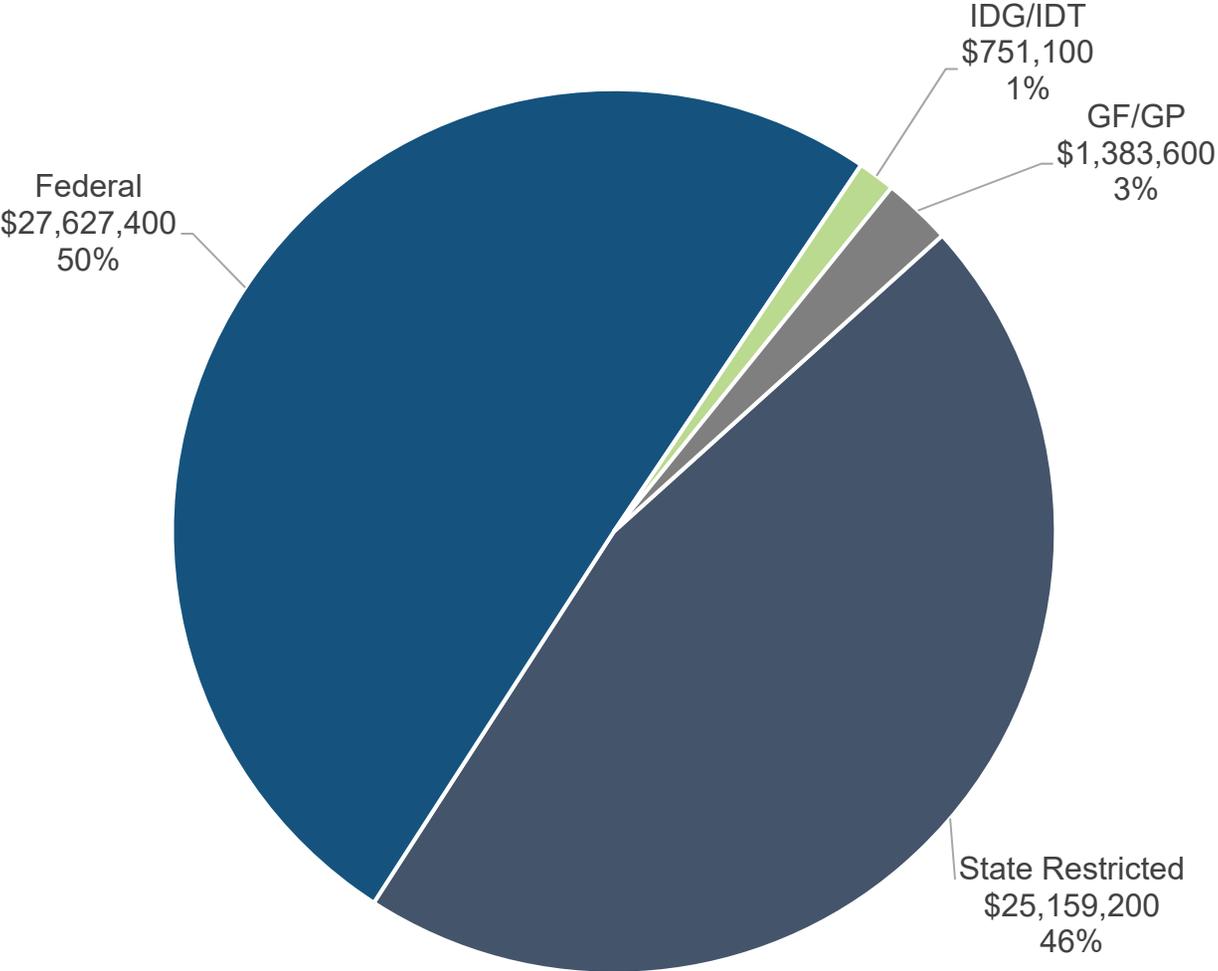


FY 2018-19 GF/GP Appropriations

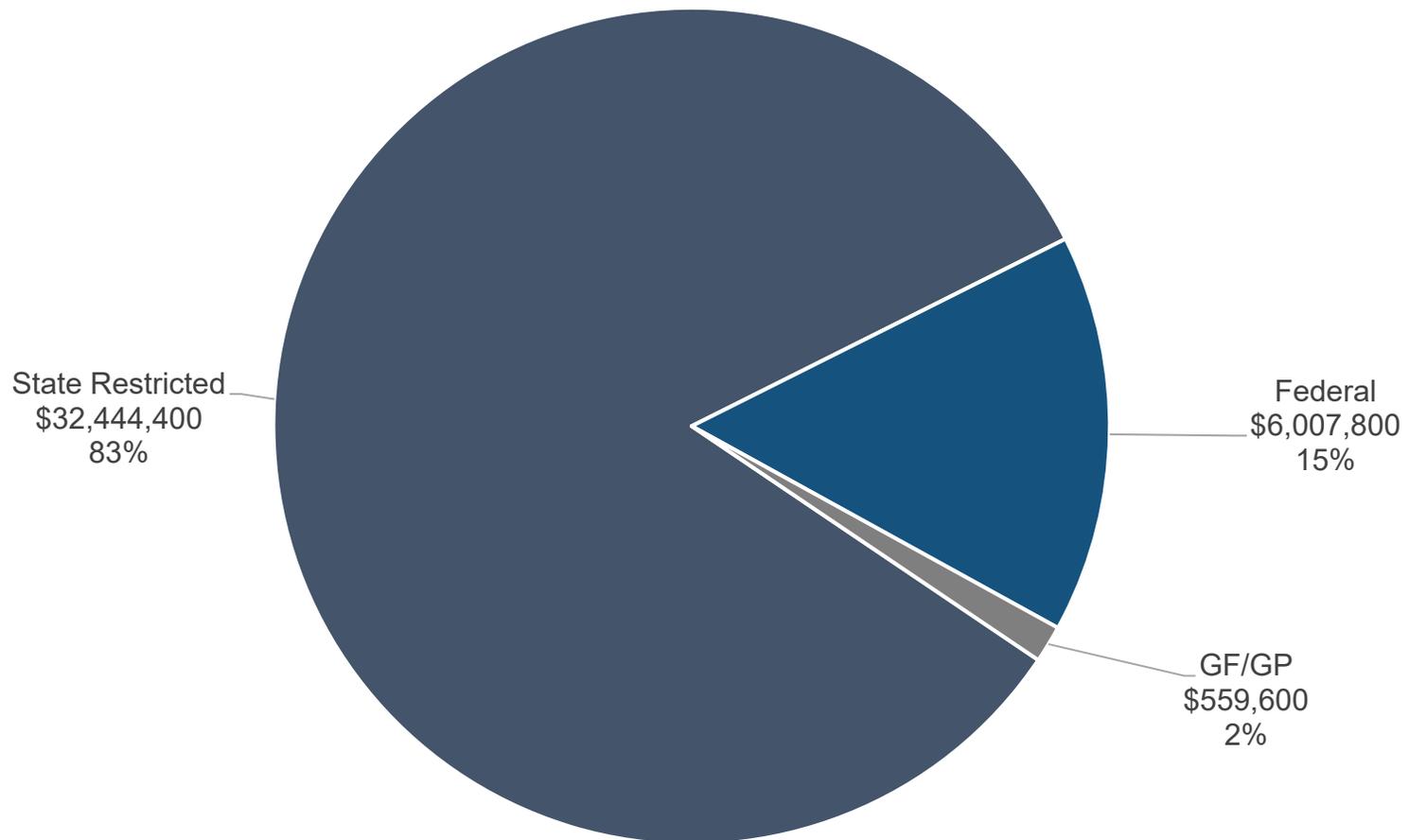
GF/GP funds (**\$135.8 million**) are most heavily concentrated in the department grants (MIDC grants), occupational regulation (primarily for regulating health and human services facilities) and employment services (primarily for services for blind persons) appropriation units.



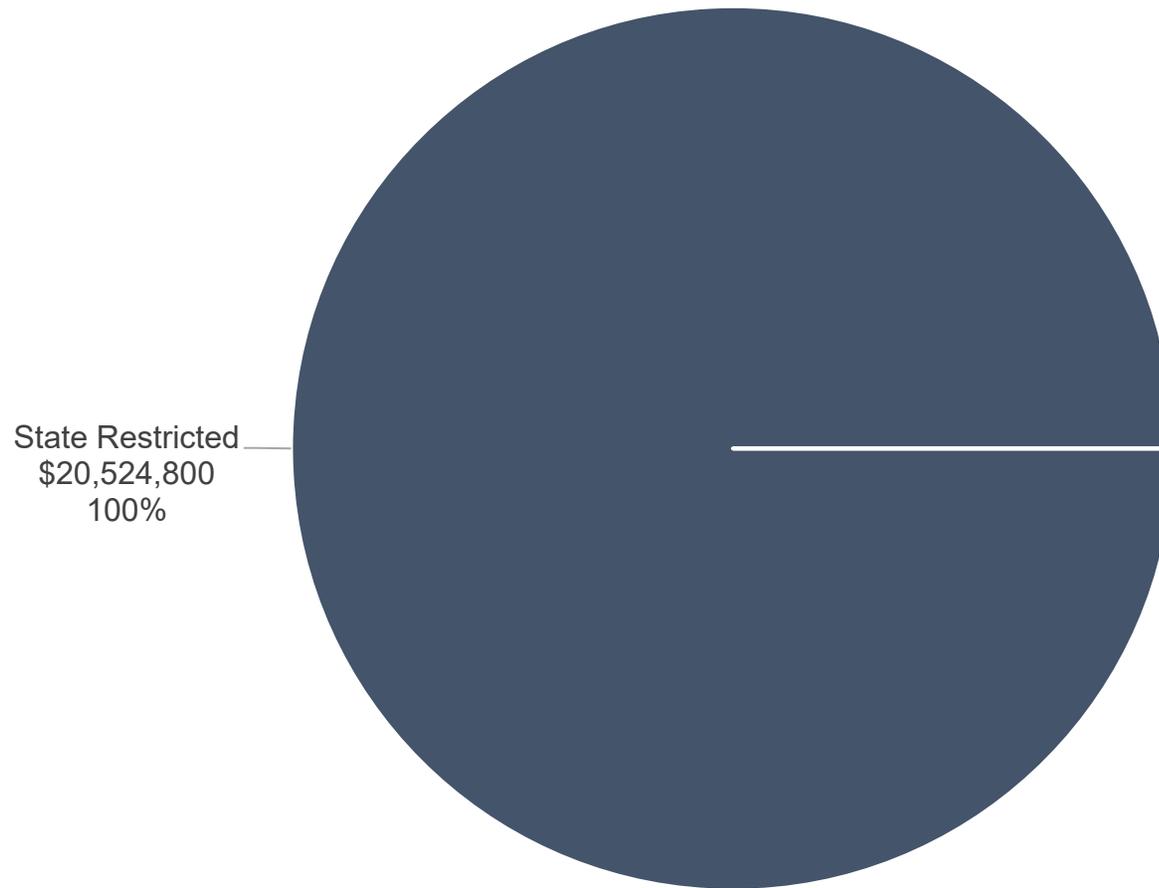
Departmental Administration Appropriation Unit



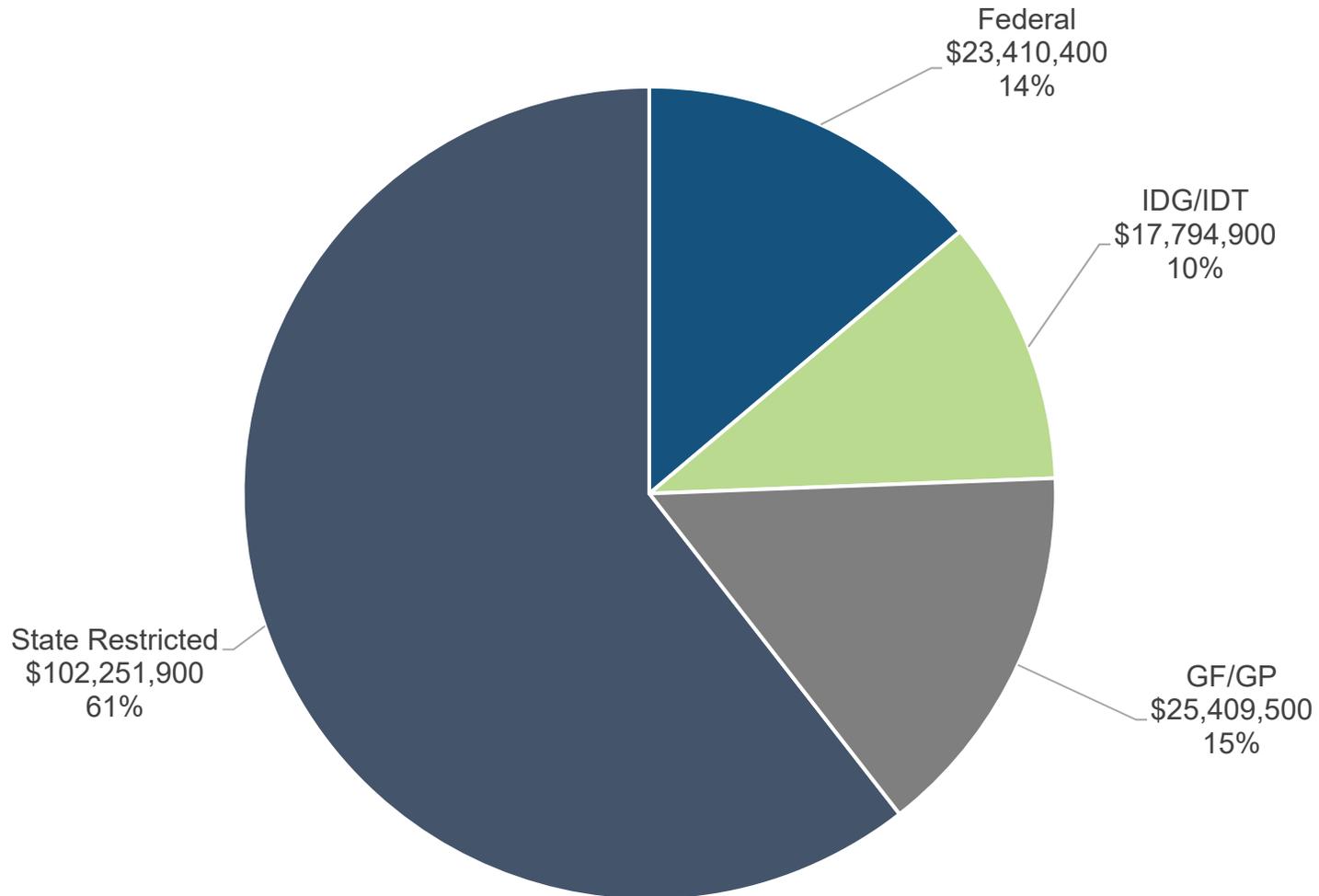
Energy and Utility Programs Appropriation Unit



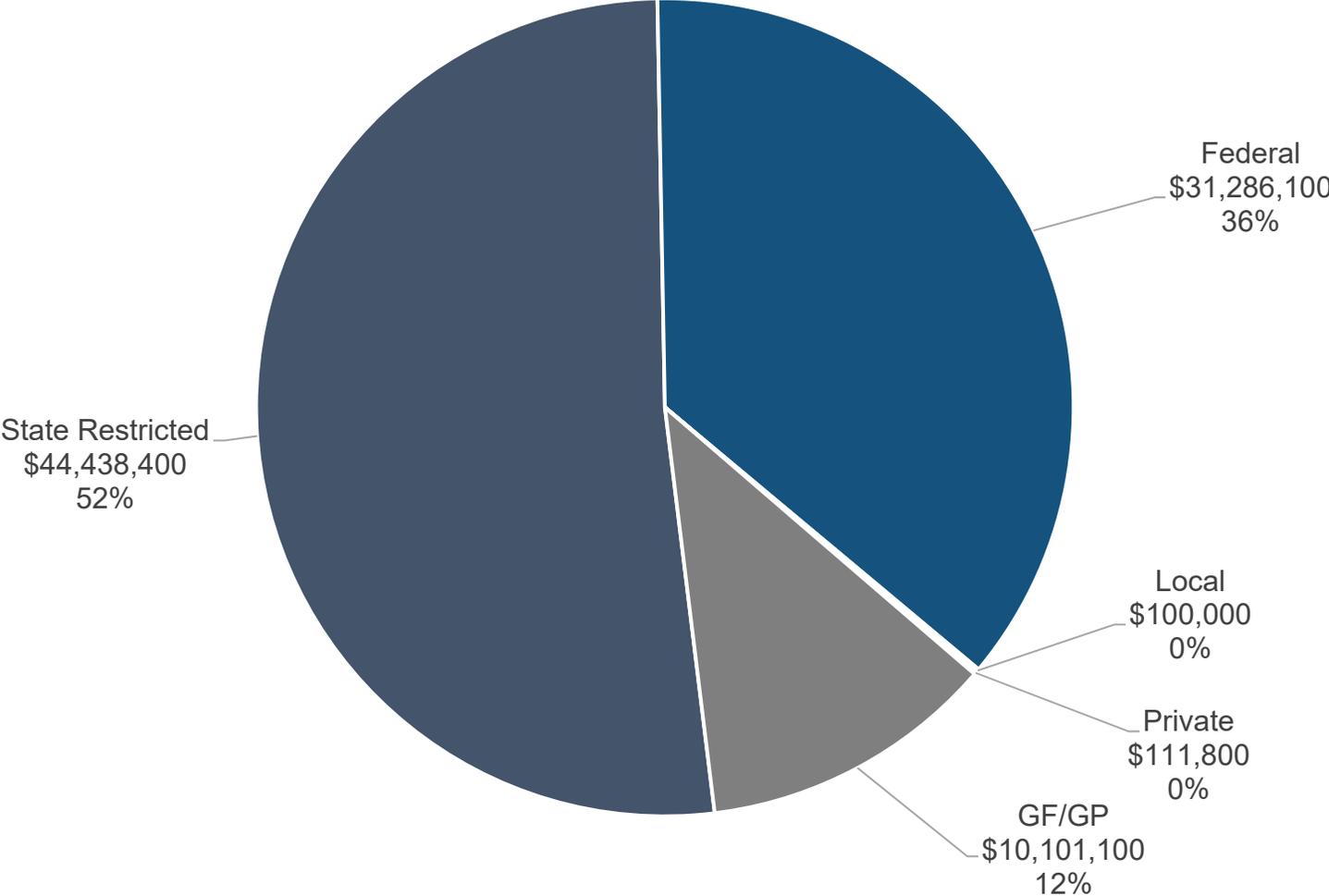
Liquor Control Commission



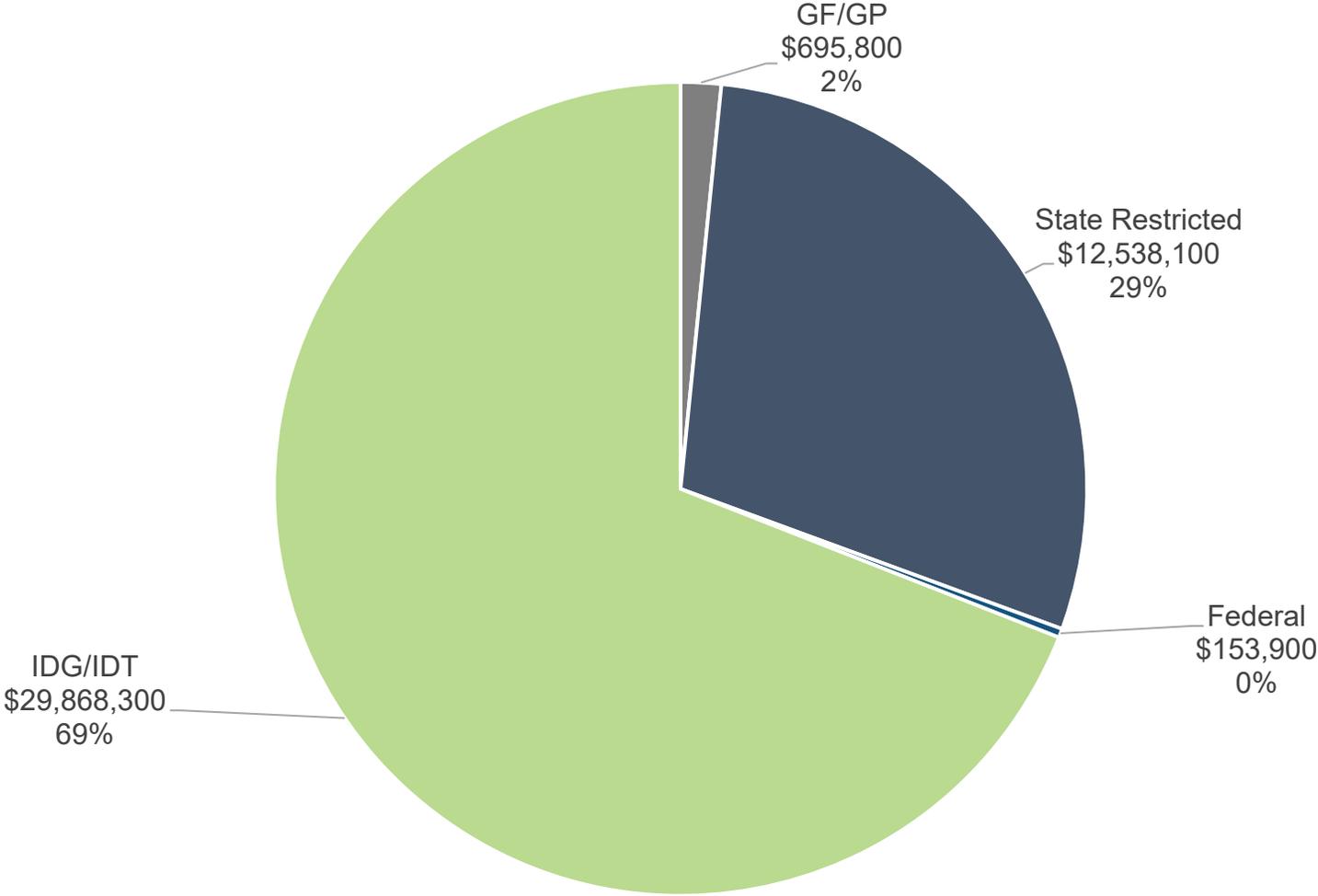
Occupational Regulation



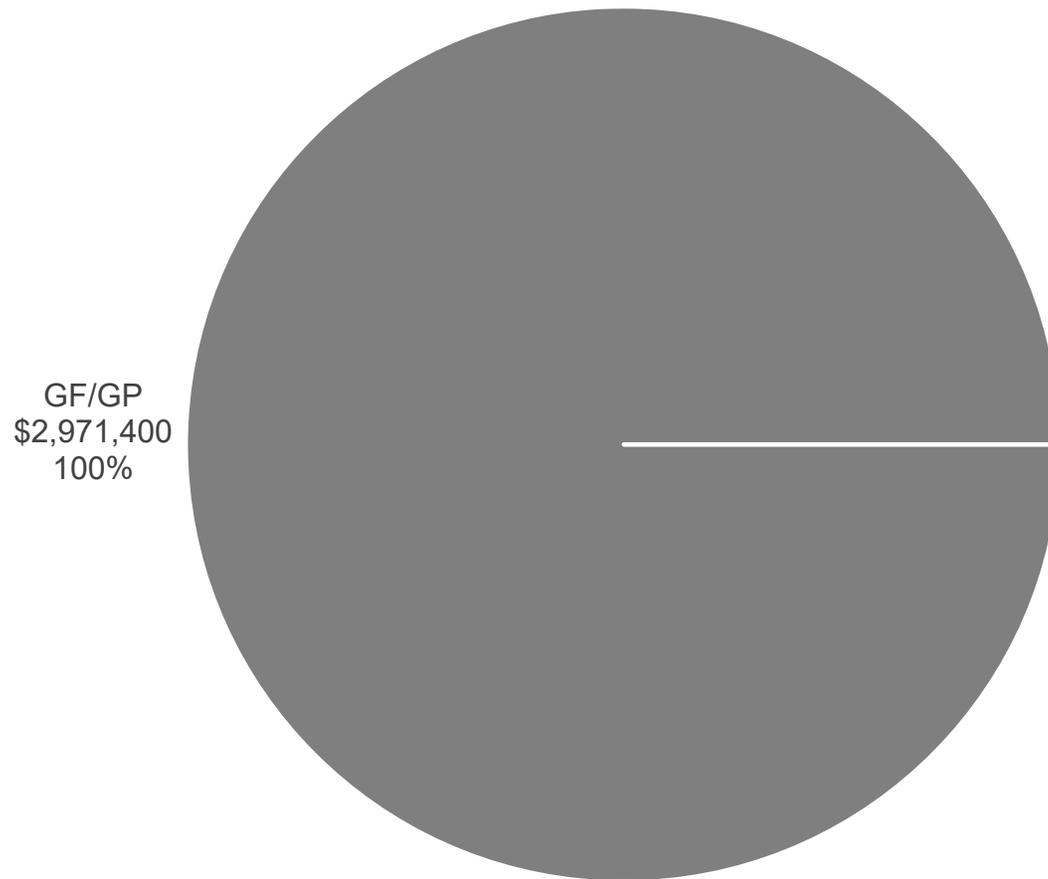
Employment Services



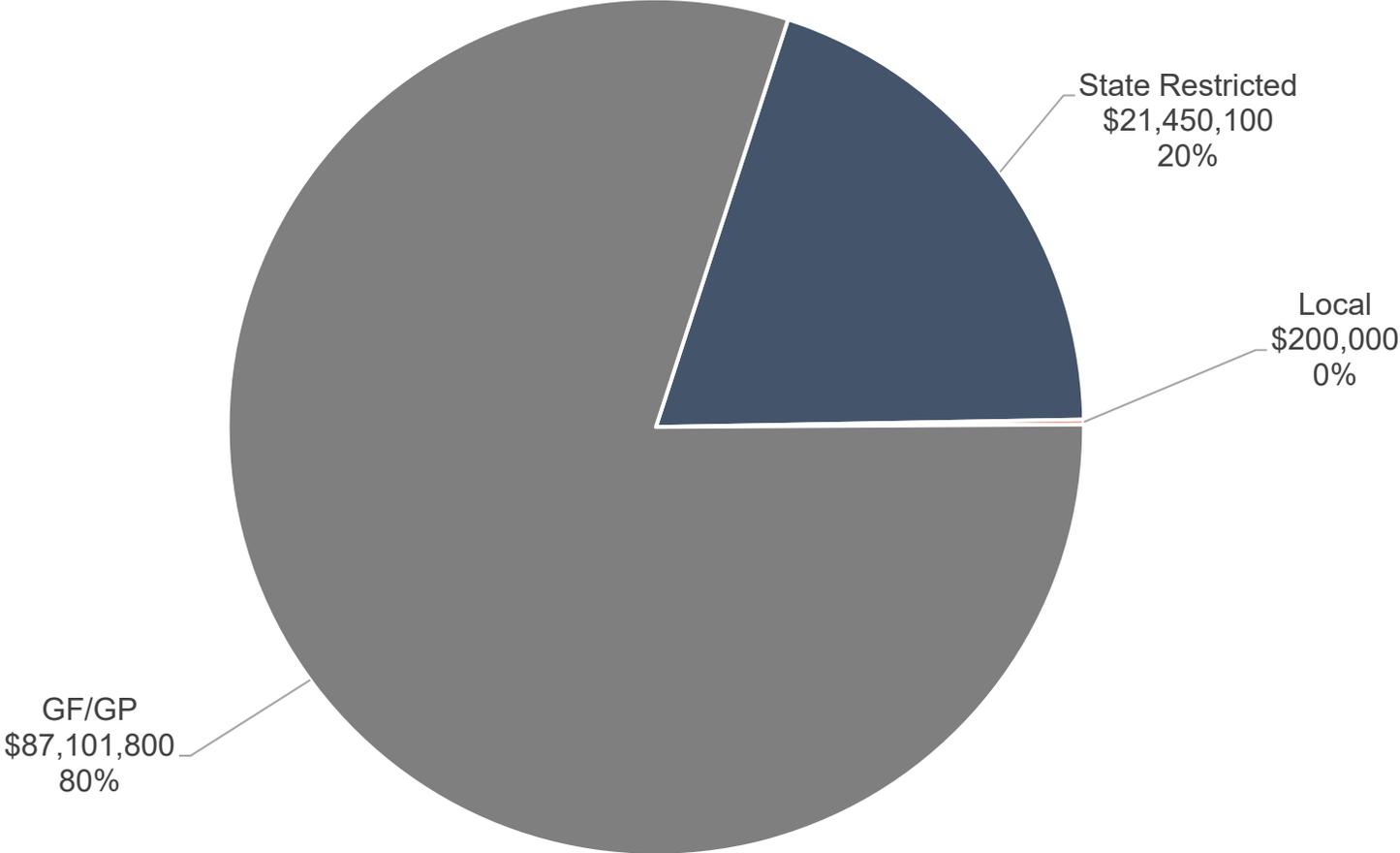
Michigan Administrative Hearing System



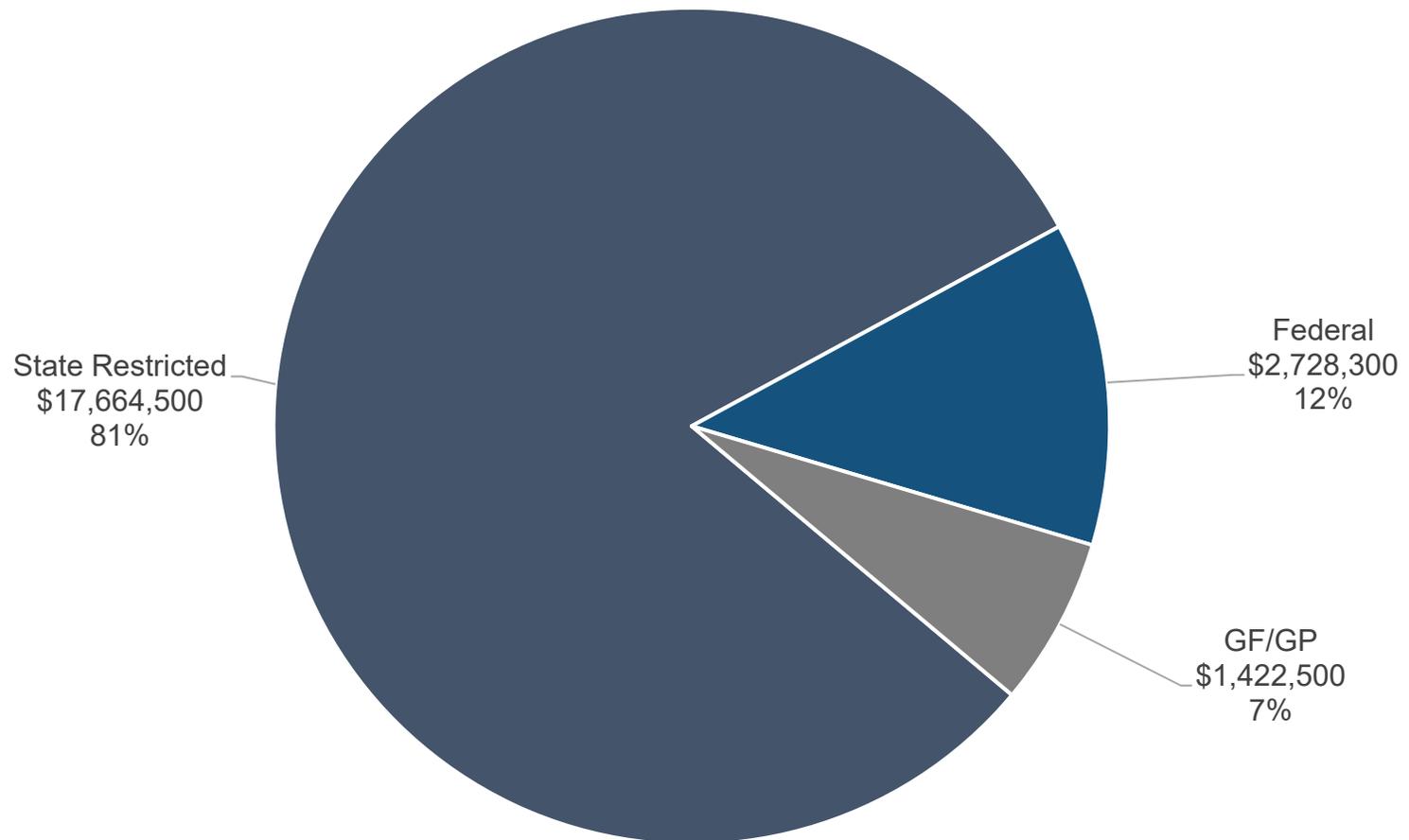
Commissions



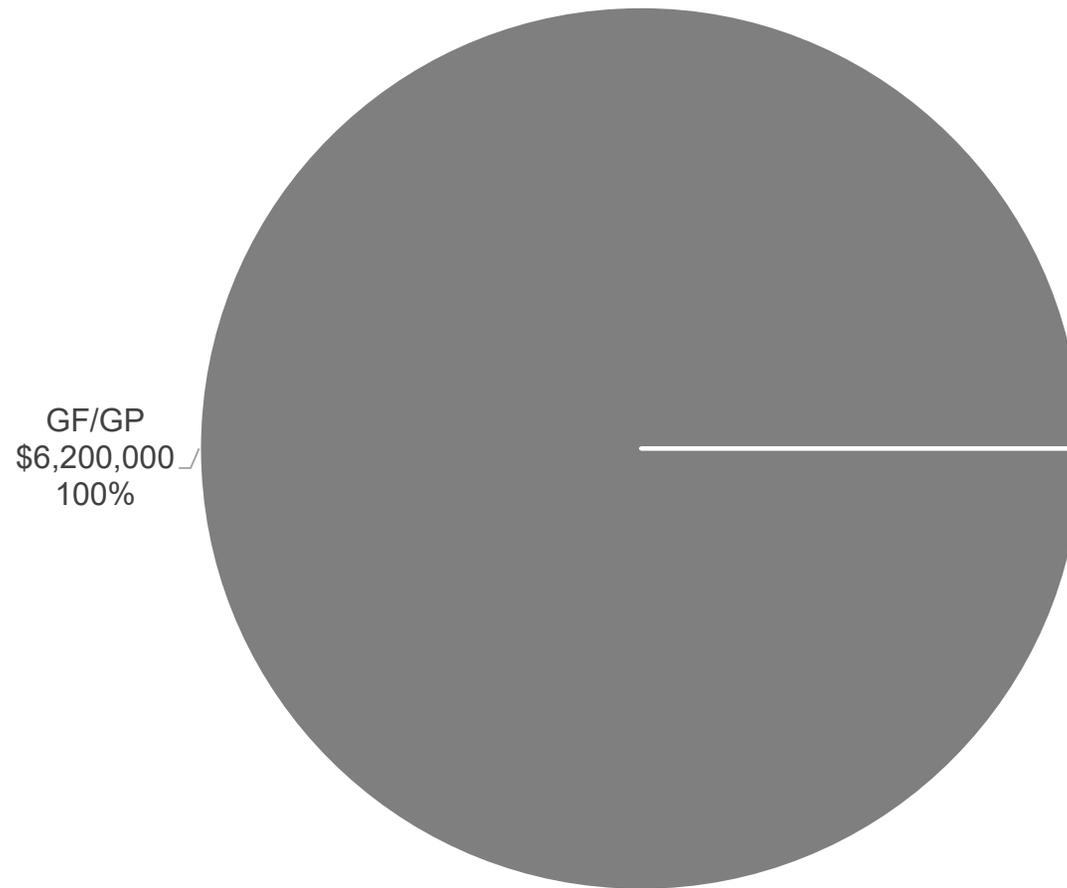
Grants



Information Technology

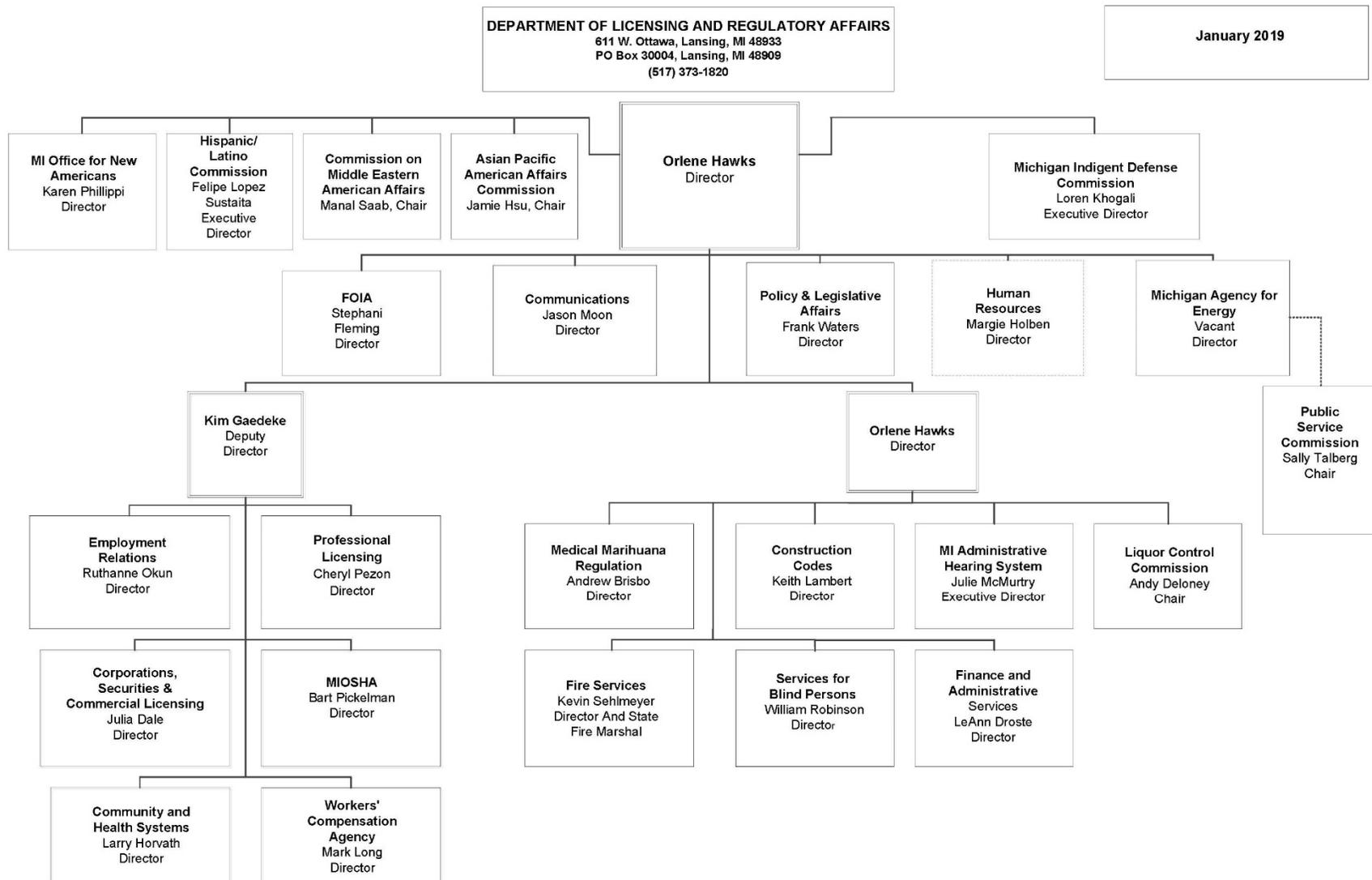


One Time Basis Only



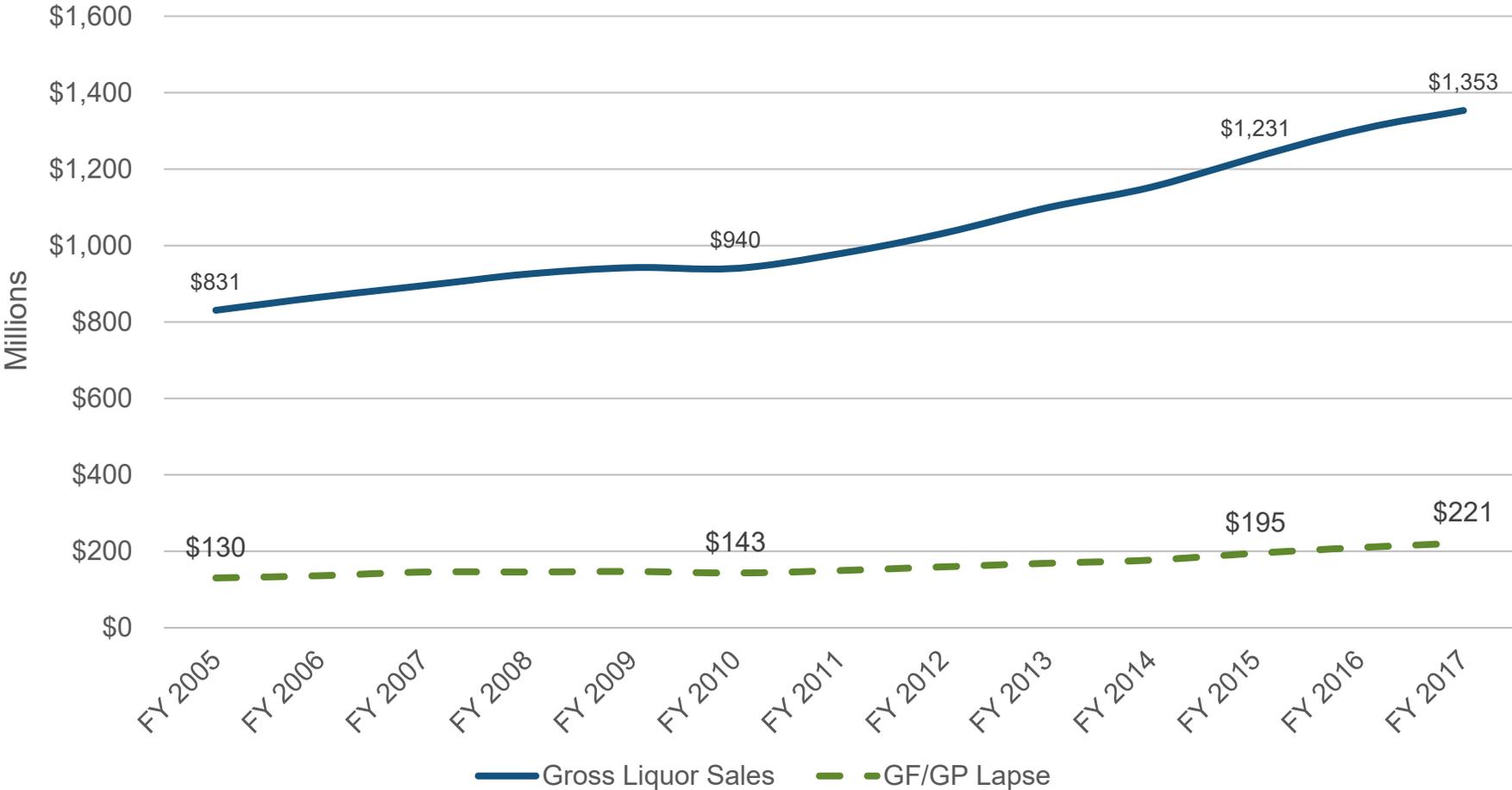
Major Budget Topics

LARA Organizational Chart



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 Facilities Regulation

- In December 2017, LARA began regulating several classes of entities associated with the medical marihuana industry, including:
 - Growers (3 classes)
 - Processors
 - Provisioning centers
 - Secure transporters
 - Testing facilities
- Marihuana-related appropriations in the FY 2018-19 budget include:
 - \$10.0 million for Medical Marihuana Facilities Licensing and Tracking
 - \$5.0 million for the Michigan Medical Marihuana Program
 - \$5.0 million for implementation of Initiated Law 2018-1 (Recreational Marihuana)
- As of January 9, 2019, the following licenses had been approved by the Medical Marihuana Licensing Board:
 - 2 Class A Grower Licenses
 - 24 Class C Grower Licenses
 - 50 Provisioning Center Licenses
 - 4 Safety Compliance Licenses
 - 4 Secure Transporter Licenses
 - 10 Processor Licenses

Michigan Indigent Defense Commission

- The Michigan Indigent Defense Commission (MIDC) was transferred to LARA from the Judiciary, pursuant to 2016 PA 439.
- \$2.4 million (GF/GP) was appropriated to cover the administrative costs of the commission in the FY 2018-19 budget.
- Beginning in FY 2018-19, grants will be distributed to the funding units of district and circuit courts for the implementation of MIDC-approved compliance plans to bring systems into compliance with indigent defense standards.
- 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
- \$84.1 million GF/GP was appropriated for the grants in the initial FY 2018-19 budget, and a \$100 placeholder for the local indigent defense reimbursement fund source was also included. An additional \$2.6 million in GF/GP and \$200,000 in local indigent defense reimbursements was appropriated in a supplemental, 2018 PA 601.

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 the 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 the implementation of plans to survey, remonument, and maintain the original national Public Land Survey System corners.

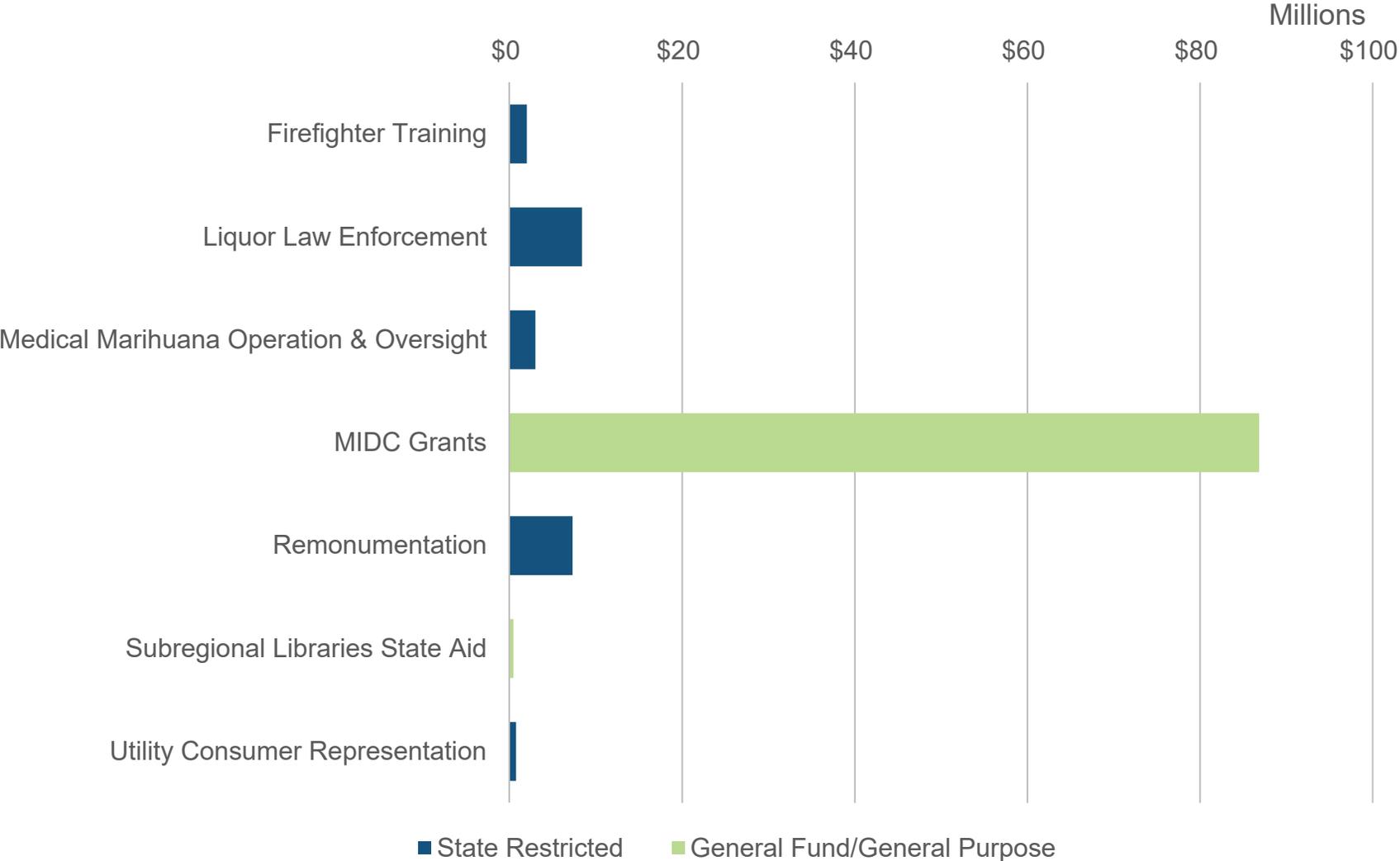
Subregional libraries state aid: awarded to regional and subregional public libraries serving blind and disabled individuals.

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.

Changes to Grant Programs in FY 2018-19

- Fire Protection Grants were previously funded by the Fire Protection Fund (Driver Responsibility Fees) and GF/GP; under 2018 PA 248, the grants will be paid with a \$13.6 million earmark from Local Community Stabilization Authority Tier III payments and will no longer appear in the state's budget.
- An additional \$1.2 million for Liquor Law Enforcement Grants, due to statutory requirements that the grants equal 55% of revenue collected from retail liquor license fees.
- \$84.1 million in GF/GP was appropriated in 2018 PA 207 to provide grants to funding units of district and circuit courts, along with a \$100 placeholder from local indigent defense reimbursement. An additional \$2.75 million was appropriated in 2018 PA 601, with \$2.6 million coming from GF/GP and the remainder coming from local indigent defense reimbursement.
- Boilerplate section 901 was revised, prohibiting Medical Marijuana Operation and Oversight Grants from funding law enforcement activities, due to potential liability concerns raised by LARA.

Departmental Grant Appropriations



Fee Sunsets

- 37 separate statutory licensing fees are set to sunset on September 30, 2019, and October 1, 2019.
- Impact four distinct funds within the LARA budget:
 - Corporation Fees
 - Licensing and Regulation Fund
 - Securities Fees
 - Health Systems Fees
- Projected total potential revenue loss for FY 2019-20 is \$16.4 million.

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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