

FISCAL YEAR 2024 EXECUTIVE BUDGET RECOMMENDATION

House Appropriations
Subcommittee on LARA

Rep. Phil Skaggs, Chair

Rep. Julie Brixie, Majority Vice-Chair

Rep. Bill Schuette, Minority Vice-Chair

February 28, 2023



LARA
LICENSING AND REGULATORY AFFAIRS

Orlene Hawks, Director













ABOUT LARA

- Established in 1965 as the Department of Commerce
- Reorganized and renamed LARA in 2011
- We license and regulate nearly 2 million individuals and entities
- Our work is vital to ensuring a great quality of life for all Michiganders



ABOUT LARA

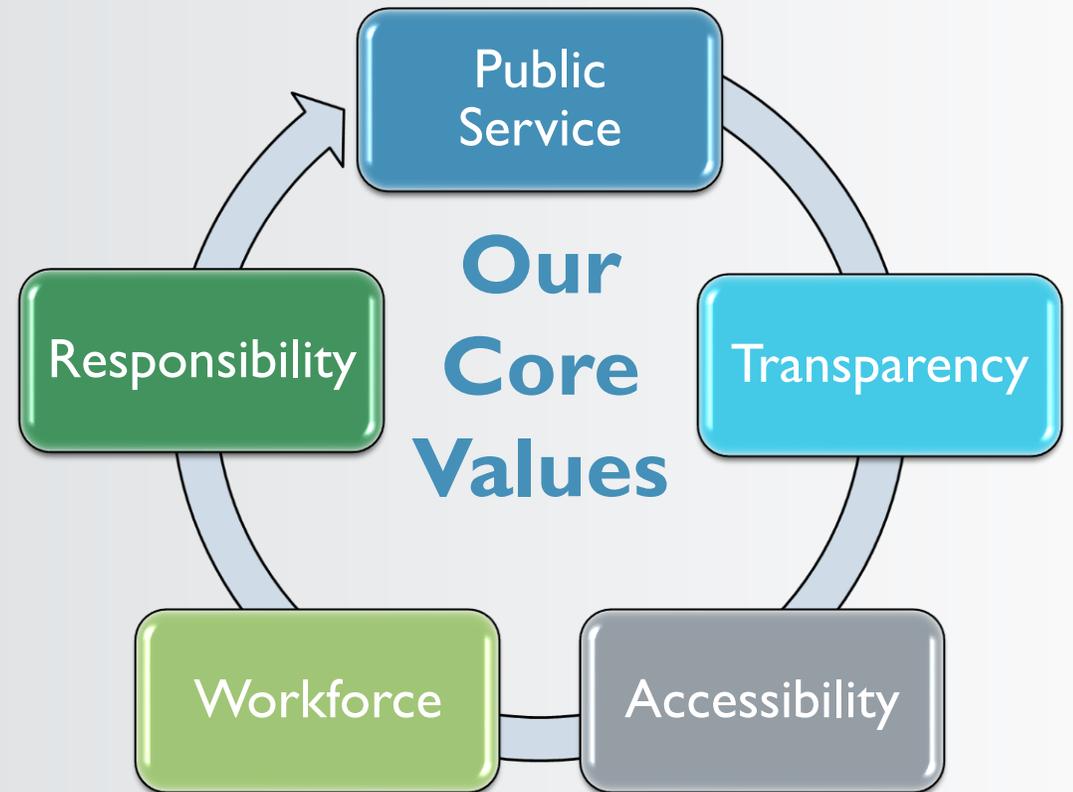


Our Mission

We protect people and promote business in Michigan through transparent and accessible regulatory solutions

Our Vision

To be national leaders that partner with people and businesses to improve the lives of Michigan residents through an engaged and inclusive workforce



STRATEGIC GOALS

Reducing barriers to licensure for both individuals and businesses

Improving regulatory compliance by creating opportunities for stakeholder education and consultation

Enhancing the customer experience for all department programs

Providing efficient, effective, and timely services to all

OUR ORGANIZATION

Regulatory Bureaus

Child Care Licensing
Community & Health Systems
Construction Codes
Corporations, Securities &
Commercial Licensing
Fire Services
Professional Licensing
Survey and Certification

Independent Agencies

Administrative Hearings and Rules
Cannabis Regulatory Agency
Indigent Defense Commission
Liquor Control Commission
Public Service Commission
Unarmed Combat Commission

Central Services

Communications
Finance & Administrative Services
Human Resources
LARA Director's Office
Legal Affairs Office
Policy & Legislative Affairs



2022 ACCOMPLISHMENTS



Child Care Licensing Bureau (CCLB)

- Created the Our Strong Start initiative to assist entrepreneurs with grant opportunities and answer questions about starting or expanding their child care business.



Bureau of Survey and Certification (BSC)

- Established as a new LARA Bureau with a specialized focus on the federal survey and certification process under the Centers for Medicare and Medicaid Services (CMS).



Michigan Indigent Defense Commission (MIDC)

- Approved 120 compliance plans and provided \$172.4 million in grants for local systems. Implemented a new indigency standard that ensures equal access to public defense regardless of the jurisdiction.

2022 ACCOMPLISHMENTS



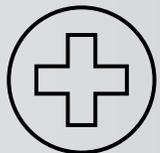
Bureau of Construction Codes (BCC)

- Coordinated with various contractors assigned to the Benton Harbor Waterline Replacement Program to organize replacement work and the completion of all required inspections within an 18-month window.



Michigan Public Service Commission (MPSC)

- Hosted energy assistance fairs in Gaylord, Benton Harbor, Marquette, Grand Rapids, and Melvindale.
- Launched a new, comprehensive webpage (www.Michigan.gov/MPSC/GetHelp) that provides resources for those who need assistance with paying their energy bills.



Bureau of Community and Health Systems (BCHS)

- Developed a user-friendly Health Facility License Search page that allows the public to search and verify a license of state health facilities, agencies, and programs.
- Established a new electronic application and payment system for non-long-term health care facility licensure activities.

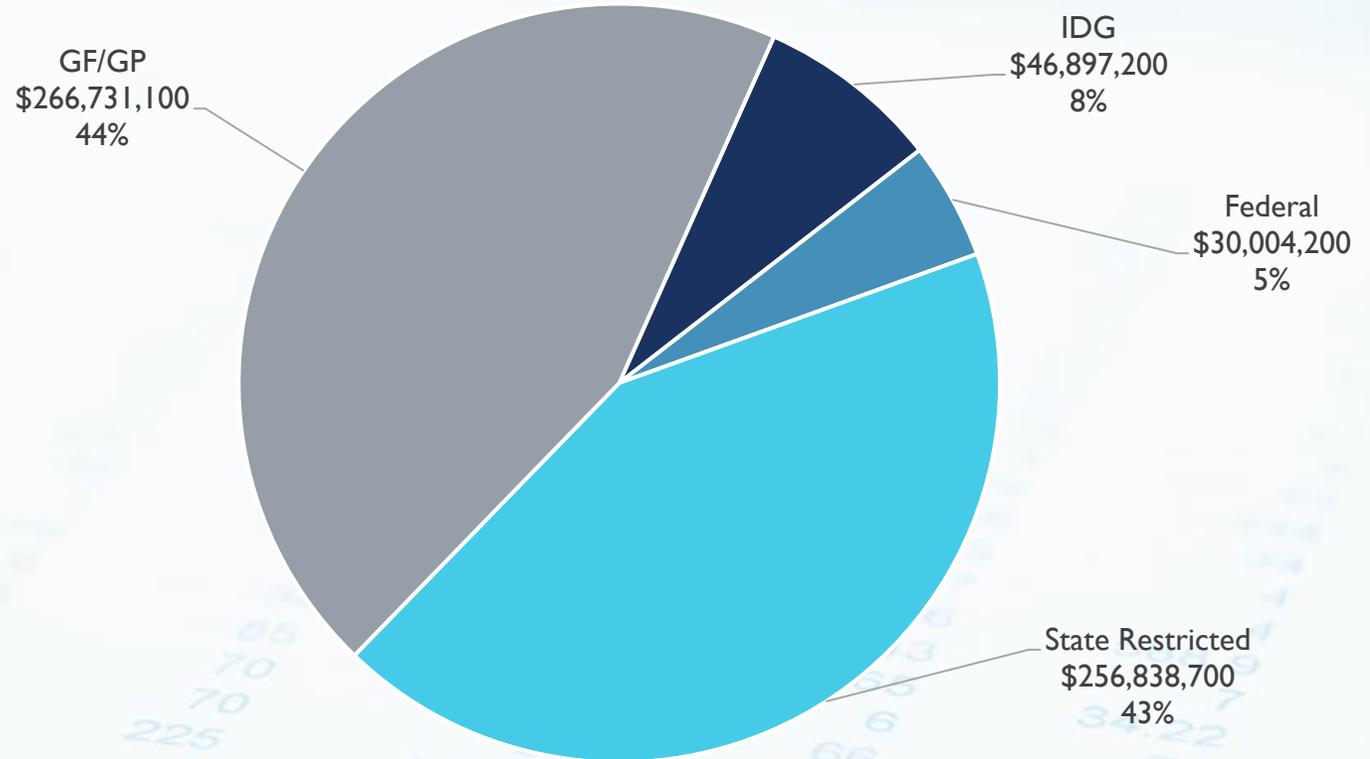
FY 2024 STATEWIDE BUDGET PRIORITIES

The Governor's FY 2024 Executive Budget does the following:

- **Lowers Costs for Families (Lowering MI costs)**
- **Builds a Brighter Future (Getting Kids Back on Track)**
- **Grows Our Economy (Expanding Opportunity, Workforce Education, and Economic Development)**

LARA FY 2024 RECOMMENDED BUDGET

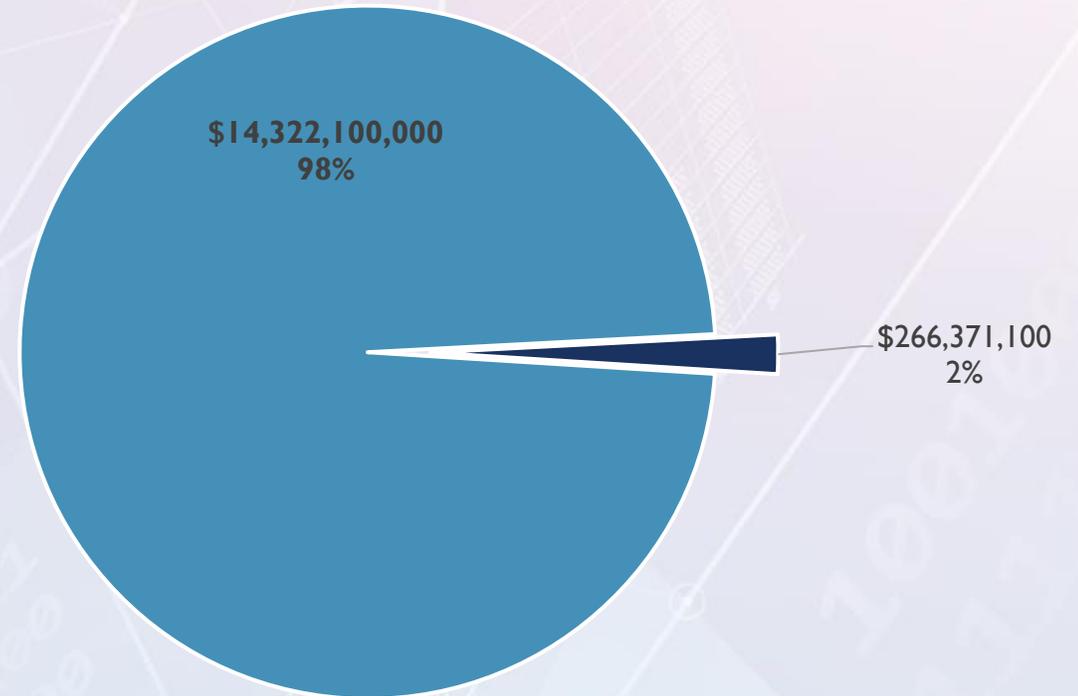
\$600.5 million Gross
\$266.7 million GF/GP



Source: Fiscal Years 2024 Executive Budget Recommendation

LARA FY 2024 BUDGET

The LARA budget represents less than 2% of the statewide general fund budget



LARA FY 2024 BUDGET HIGHLIGHTS

- **Improve the health, safety and welfare of children in licensed child care settings through increased support for employee background checks and consultant services**
- **Strengthen protections for our state's vulnerable residents by bolstering our federal certification team responsible for complaint investigations, annual surveying, and enforcement of federal regulations as the state agency on behalf of CMS**
- **Ensure the appropriate implementation of the MIDC Act mandates, including the newly approved Standard 8 setting standards for attorney compensation**
- **Streamline licensing and regulatory processes by continuing to modernize IT systems for critical programs**
- **Improve services and safety standards within Michigan's growing cannabis industry**

LARA FY 2024 BUDGET HIGHLIGHTS

1. Support the costs of 5-year state and federally mandated background check requirements for childcare professionals

\$2.2 million general fund (\$2.0 million ongoing and \$200,000 one-time) to conduct fingerprints and background checks for over 31,000 professionals working in licensed child care settings.

- Offset the cost of 5-year federally required background check reprints
- Fund the state staffing necessary to conduct timely determinations for background checks
- Continue to offset fingerprinting costs for up to two new employees per year for both new licensed providers and existing providers
- Support for system upgrades and feature enhancements (one-time funding)

This investment will allow the state to meet the new statutory mandate to complete comprehensive background checks for licensed child care professionals every 5 years while also offsetting fingerprinting costs for child care employees

LARA FY 2024 BUDGET HIGHLIGHTS

2. Provide appropriate staffing levels to ensure health and safety remains the top priority of children in child care

\$1.1 million on-going GF/GP funding and 7.0 FTEs to support child care consultants, allowing them to focus on requirements for the health, safety, and welfare of children during initial licensing and renewal inspections of licensed child care facilities

- Improved services for the following:
 - Organization of mandated requirements including sub-inspections
 - Ensure federally required health and safety training are completed
 - Responsible for ensuring education, compliance, and documentation of federal health and safety standards
 - Conduct over 1,000 Special Investigations received by the Child Care Licensing Bureau each year

LARA FY 2024 BUDGET HIGHLIGHTS

3. Strengthen Survey and Certification Processes for Health Care Providers

\$1.2 million one-time GF/GP funding to further support the federal certification duties for covered health care providers, allowing those providers to accept and provide services to Medicare and Medicaid beneficiaries

- Provide funding support for the following:
 - Federal complaint investigations
 - Routine annual surveys
 - Monitoring and enforcement of federal regulations
- Serves to protect the health, safety, and quality of care received for Michigan's residents

LARA FY 2024 BUDGET HIGHLIGHTS

4. Support Michigan Indigent Defense Compliance Standard 8 and Operations

\$72.0 million ongoing general fund to support local trial court funding units with Standard 8: Attorney Compensation (Economic Disincentives or Incentives that Impair Effective Representation)

- Standard 8 addresses several facets of economic incentives and disincentives, including recommended payment models, required minimum hourly rates for attorneys, guidelines for reimbursement, and suggested oversight mechanisms.

\$413,000 ongoing general fund to support the implementation of the current MIDC Act, including Standard 8, and the continued development of the remaining two standards awaiting full approval (Standard 6: Workloads and Standard 7: Attorney Qualifications)

LARA FY 2024 BUDGET HIGHLIGHTS

5. Invest in clean energy improvements for businesses and residents

\$5.0 million general fund one-time for the Michigan Saves Green Bank to leverage private investment in clean energy improvements for Michigan's residents and businesses

- Provides a credit enhancement to lenders
- Incentivizes lenders to provide more favorable rates and terms for renewable energy improvements

This investment will benefit property owners and the environment while supporting Michigan's clean energy economy

- Increased safety and health protections
- A cleaner environment
- More resilient energy generation

LARA FY 2024 BUDGET HIGHLIGHTS

6. Modernize IT systems for critical licensing programs

- \$2.7 million investment to replace the Corporations Online Filing System (COFS) within the Corporations, Securities, and Commercial Licensing Bureau (CSCL) to be funded with State Restricted funding
- \$900,000 investment to complete the Sales, Inventory, and Purchasing System (SIPS) within the Michigan Liquor Control Commission

LARA FY 2024 BUDGET HIGHLIGHTS

7. Improve Cannabis Regulation and Consumer Safety

- \$4.4 million (\$1.6 million ongoing and \$2.8 million one-time) and 5.0 FTEs to establish a state reference laboratory
- Reference lab will support the Cannabis Regulatory Agency as follows:
 - Provide resources within the agency to conduct audits of results from licensed safety compliance facilities
 - Enable investigative support to agency investigators
 - Conduct tests to determine the necessity for product recalls
 - Serve as an industry-wide reference point for lab testing standards and methods

LARA FY 2024 BUDGET HIGHLIGHTS

Legislative Sunset Provisions and Legislative Changes

- **LARA faces the sunset of 39 different fees in 7 separate public acts, which are all set to expire by September 30, 2023.**
- **The removal of the sunsets would allow for existing fees to continue, beginning in FY 2024.**
- **LARA projects a \$20.3 million loss in revenue should the sunsets go into effect without legislative action to eliminate or extend the dates.**
- **Statutory changes are also requested to allow for LARA's Refined Petroleum appropriation to increase in proportion to inflationary increases that must be paid to employees who support the program.**
- **Legislation change is requested that would codify and revise the initial license and renewal fee for Child Camps to a flat fee rather than a fee dictated by the camp size. These legislative changes would address a reportable condition from an OAG Audit (December 2022).**
- **Legislation would revise the fee structure for Homes for the Aged within the Bureau of Community and Health Systems.**

LARA FY 2024 BUDGET HIGHLIGHTS

- This budget makes strategic and fiscally responsible investments in Michigan's future by:
 - Building a brighter future for our kids
 - Growing our economy
 - Reducing barriers to licensure
 - Protecting health and safety
 - Enhancing the customer experience

We look forward to partnering with you to enact our department budget for FY 2024. Our team is ready and willing to support the important work of our appropriations subcommittee.

LARA FY 2024 BUDGET

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