

**Summary: Executive Budget Recommendation
for Fiscal Year 2019-20
LICENSING AND REGULATORY AFFAIRS**



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	FY 2018-19	FY 2019-20	Difference: FY 2019-20	
	Year-to-Date as of 3/5/19	Executive	Amount	%
IDG/IDT	\$48,414,300	\$49,014,200	\$599,900	1.2
Federal	91,213,900	95,852,500	4,638,600	5.1
Local	300,000	100,000	(200,000)	(66.7)
Private	111,800	251,800	140,000	125.2
Restricted	276,471,400	303,125,900	26,654,500	9.6
GF/GP	135,845,300	124,268,100	(11,577,200)	(8.5)
Gross	\$552,356,700	\$572,612,500	\$20,255,800	3.7
FTEs	2,384.8	2,404.8	20.0	0.8

Notes: (1) FY 2018-19 year-to-date figures include mid-year budget adjustments through March 5, 2019. (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 state's primary regulatory agency. LARA 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, liquor control, and marihuana. Agencies within LARA are 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. Entities within LARA also conduct and adjudicate administrative hearings, provide support for several commissions, and administer multiple grant programs (including Michigan Indigent Defense Commission Grants).

Major Budget Changes From FY 2018-19 Year-to-Date (YTD) Appropriations		FY 2018-19 YTD (as of 3/5/19)	Executive Change from YTD
1. 2018 Initiated Law 1 – Veterans Treatment Research	Gross	NA	\$20,000,000
Includes \$20.0 million in restricted funding to support clinical trials (approved by the FDA and sponsored by a non-profit organization or researcher within an academic institution) researching the efficacy of marihuana for treating medical conditions afflicting veterans and preventing veteran suicide, in accordance with 2018 Initiated Law 1.	Restricted	NA	20,000,000
	GF/GP	NA	\$0
2. Recreational Marihuana Licensing and Regulation	FTE	NA	30.0
Includes \$6.0 million in restricted funding from the Marihuana Regulation Fund and authorization for 30.0 FTE positions for the department's activity related to licensing entities and otherwise regulating the recreational marihuana market, in accordance with 2018 Initiated Law 1. Approximately \$4.5 million Gross would be allocated for salaries, wages, and fringe benefits, while the remainder would be allocated for other costs, including information technology and contractual services.	Gross	NA	\$6,000,000
	Restricted	NA	6,000,000
	GF/GP	NA	\$0
3. Michigan Indigent Defense Commission Grants Reduction (MIDC)	Gross	\$86,850,100	(\$5,850,400)
Reduces funding by \$5.9 million GF/GP to reflect removal of one-time funding that was included in FY 2018-19 for grant awards to local units for compliance with MIDC standards 1-4.	Local	200,000	0
	Restricted	100	0
	GF/GP	\$86,650,000	(\$5,850,400)

Major Budget Changes From FY 2018-19 Year-to-Date (YTD) Appropriations		FY 2018-19 YTD (as of 3/5/19)	Executive Change from YTD
4. First Responder Presumed Coverage Fund Removal	Gross	\$5,445,000	(\$5,445,000)
Removes \$5.4 million in First Responder Presumed Coverage Fund restricted funding from the First Responder Presumed Coverage Fund Claims and Workers' Compensation Agency line items. The removal reflects the elimination of the 3% excise tax on medical marijuana provisioning center sales via 2018 Initiated Law 1, since that excise tax served as the primary funding source for the First Responder Presumed Coverage Fund.	Restricted	5,445,000	(5,445,000)
	GF/GP	\$0	\$0
5. Office for New Americans – Unaccompanied Refugee Minors	Gross	NA	\$3,790,900
Includes \$3.8 million in federal funding for the Michigan Office for New Americans to increase service capabilities of providers assisting unaccompanied refugee minors.	Federal	NA	3,790,900
	GF/GP	NA	\$0
6. Medical Marijuana Right-Sizing	FTE	108.0	(13.0)
Includes \$900,000 in restricted funding and a reduction of 13.0 FTE positions to align departmental resources with anticipated ongoing administrative, licensing, and enforcement activities related to medical marijuana facilities licensing and regulation.	Gross	\$10,000,000	\$900,000
	Restricted	10,000,000	900,000
	GF/GP	\$0	\$0
7. Refugee Services Database	Gross	NA	\$520,000
Includes \$520,000 in federal funding for the Michigan Office for New Americans to develop a refugee services database that will be used for data monitoring purposes to streamline federal reporting requirements.	Federal	NA	520,000
	GF/GP	NA	\$0
8. Bureau of Fire Services Awards	Gross	NA	\$500,000
Increases federal funding for the Bureau of Fire Services by \$500,000 to recognize federal awards related to firefighter training and fire prevention.	Federal	NA	500,000
	GF/GP	NA	\$0
9. Child Care Restricted Funding	Gross	NA	\$500,000
Includes \$500,000 in restricted funding to recognize revenues that are anticipated to be collected from child day care centers and child day care homes for licensing and regulation pursuant to 2017 PA 258.	Restricted	NA	500,000
	GF/GP	NA	\$0
10. Adult Foster Care Restricted Funding	Gross	NA	\$410,000
Includes \$410,000 in restricted funding to recognize revenues that are anticipated to be collected from adult foster care facilities for licensing and regulation pursuant to 2018 PA 557.	Restricted	NA	410,000
	GF/GP	NA	\$0
11. Firefighter Training Grants Enhancement	Gross	\$2,000,000	\$300,000
Includes \$300,000 in restricted funding for enhancements to Firefighter Training Grants that would be disbursed on a county basis for reimbursements for Michigan Fire Fighter's Training Council-approved courses related to mental health and community risk reduction.	Restricted	2,000,000	300,000
	GF/GP	\$0	\$0
12. Bureau of Fire Services Testing Support	FTE	NA	1.0
Includes \$289,900 in restricted funding and authorization for 1.0 FTE position to implement new fire service testing requirements and to conduct quality assurance audits on training coordinators, in accordance with 2017 PA 144.	Gross	NA	\$289,900
	Restricted	NA	289,900
	GF/GP	NA	\$0
13. Michigan Indigent Defense Commission Statewide Training	FTE	16.0	1.0
Includes \$205,200 GF/GP and authorization for 1.0 FTE position for the development and implementation of a system for the evaluation of proposals for indigent defense training, regular assessment of training quality, and monitoring of attorney training compliance.	Gross	\$2,420,700	\$205,200
	GF/GP	\$2,420,700	\$205,200

Major Budget Changes From FY 2018-19 Year-to-Date (YTD) Appropriations		FY 2018-19 YTD (as of 3/5/19)	Executive Change from YTD
14. Light-Duty Zero Emission Vehicle Supply Equipment Program	FTE	NA	1.0
Includes \$140,000 in private funding and authorization for 1.0 FTE position to support the Light-Duty Zero Emission Vehicle Supply Equipment Program pursuant to the Volkswagen Settlement Beneficiary Mitigation Plan. The funding would be used to analyze investments in public charging stations for electric vehicles.	Gross	NA	\$140,000
	Private	NA	140,000
	GF/GP	NA	\$0
15. Elimination of Fee Sunsets	Gross	NA	NA
Proposes the elimination of sunsets on 38 fees and fee schedules that are set to sunset on September 30, 2019 and October 1, 2019. The fees are deposited into four restricted funds and the sunsetting of the fees would entail a revenue loss of approximately \$16.7 million.	GF/GP	NA	NA
16. Technical Adjustments	Gross	NA	(\$7,088,200)
Reduces funding by \$7.1 million Gross (\$6.4 million GF/GP) to reflect the removal of FY 2018-19 supplemental appropriations and legislative transfers, incorporate funding alignments and net-to-zero funding shifts, and to reflect line item consolidations which have no Gross impact.	Federal	NA	(952,400)
	Local	NA	(200,000)
	Restricted	NA	439,200
	GF/GP	NA	(\$6,375,000)
17. Economic Adjustments	Gross	NA	\$5,083,400
Reflects increased costs of \$5.1 million Gross (\$443,000 GF/GP) for negotiated salary and wage increases (2.0% ongoing, 2.0% lump sum) actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments.	IDG	NA	599,900
	Federal	NA	780,100
	Restricted	NA	3,260,400
	GF/GP	NA	\$443,000

Major Boilerplate Changes From FY 2018-19

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

Stipulates 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 to strike sections delineating conditions under which out-of-state travel is permissible and to modify requirements for information to be contained within the report.

Sec. 218. Communication with the Legislature – DELETED

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

Sec. 219. Television and Radio Productions – DELETED

Prohibits LARA from developing or producing television or radio productions.

Sec. 220. Healthy Michigan Plan Accounting Structure – DELETED

Requires LARA, in conjunction with the Department of Health and Human Services, to maintain an accounting structure within the state's accounting system which facilitates 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 LARA.

Sec. 227. Departmental Employee Performance Monitoring Process – DELETED

Expresses 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. 302. Fast Charging Siting Study – DELETED

Requires the Michigan Agency for Energy, in cooperation with the Public Service Commission and Department of Transportation, to prepare a study assessing statewide optimal siting locations for fast charging stations; includes study content requirements.

Major Boilerplate Changes From FY 2018-19

Sec. 505. Medical Marihuana Program Report – REVISED

Requires LARA to submit a report on revenue, expenditures, application determinations, and timeliness of the Medical Marihuana Program and other specified information. Revises to delete application data and revenue and cost information required to be contained in the report.

Sec. 509. Regulatory Fees on Child and Adult Care Facilities – DELETED

Requires LARA to assess and collect fees on child care and adult foster care organizations in accordance with existing legislation; requires the department to report these collections to the fiscal agencies.

Sec. 511. Notice of AFC, HFA, and LTC Facility Closing – DELETED

Requires that LARA properly serve a facility and notify the offices of the representing legislators when an order of suspension is received for a licensed adult foster care home, home for the aged, or nursing home.

Sec. 702. Vocational Rehabilitation Matching Funds – DELETED

Requires the Bureau of Services for Blind Persons to work collaboratively with service organizations and governments to identify match dollars and maximize federal vocational rehabilitation funds.

Sec. 704. First Responder Presumed Coverage Claims Excess Funds – DELETED

Allows excess funds received from the First Responder Presumed Coverage Fund to be appropriated in an amount sufficient to pay approved claims due in the current fiscal year.

Sec. 803. Michigan Indigent Defense Commission Performance Metrics and Report – DELETED

Requires MIDC to implement a performance metrics system assessing provision of indigent defense services; requires a report on metrics.

Sec. 904. Michigan Indigent Defense Commission Standards Compliance – DELETED

Stipulates an indigent defense system's duty of compliance with standards is contingent upon receipt of a grant in an amount sufficient to comply with provisions in 2013 PA 93.

<u>Supplemental Recommendations for FY 2018-19 Appropriations</u>		<u>FY 2018-19 Recommendation</u>
1. Child Care Restricted Funding	Gross	\$500,000
Includes \$500,000 in restricted funding to recognize revenues that are anticipated to be collected from child day care centers and child day care homes for licensing and regulation pursuant to 2017 PA 258.	Restricted	500,000
	GF/GP	\$0
2. Implementation of 2018 Initiated Law 1	Gross	\$5,000,000
Includes \$5.0 million GF/GP for LARA activities regarding the implementation of the voter initiated law allowing for the legalized use of marihuana by individuals 21 years of age and older.	GF/GP	\$5,000,000