

**FY 2017-18: DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS**  
**Summary: As Passed by the Senate**  
**Senate Bill 137 (S-1)**



**Analyst: Marcus Coffin**

	FY 2016-17 YTD as of 2/8/17	FY 2017-18 Executive	FY 2017-18 House	FY 2017-18 Senate	FY 2017-18 Enacted	Difference: Senate From FY 2016-17 YTD	
						Amount	%
<b>IDG/IDT</b>	\$46,923,800	\$47,835,100	\$47,835,100	\$47,835,100		\$911,300	1.9
<b>Federal</b>	64,441,800	65,020,900	65,020,900	65,020,900		579,100	0.9
<b>Local</b>	251,600	250,000	250,000	250,000		(1,600)	(0.6)
<b>Private</b>	111,800	111,800	111,800	111,800		0	0.0
<b>Restricted</b>	266,872,300	285,341,900	283,230,600	276,862,500		9,990,200	3.7
<b>GF/GP</b>	43,721,100	43,016,600	44,016,600	43,016,600		(704,500)	(1.6)
<b>Gross</b>	<b>\$422,322,400</b>	<b>\$441,576,300</b>	<b>\$440,465,000</b>	<b>\$433,096,900</b>		<b>\$10,774,500</b>	<b>2.6</b>
<b>FTEs</b>	2,251.8	2,379.8	2,359.8	2,379.8		128.0	5.7

Notes: (1) FY 2016-17 year-to-date figures include mid-year budget adjustments through February 8, 2017. (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 primary regulatory agency for this state. The department oversees regulation in a variety of areas, including: commercial and occupational activities, construction and fire safety, health care and human service, energy and public utilities, and liquor. Agencies within LARA are also responsible for implementing and enforcing workers' compensation requirements, occupational safety and health standards, and labor and wage laws; the department also provides vocational rehabilitation services for the blind and coordinates employment services for immigrants. Lastly, agencies within LARA conduct and adjudicate administrative hearings, supervise administrative rulemaking, and evaluate regulatory requirements and administrative processes for departments and agencies throughout state government.

**NOTE:** Information on House budget action in this document is based on House Bill 4323 as passed by the House

<b>Major Budget Changes From FY 2016-17 YTD Appropriations</b>		<b>FY 2016-17 Year-to-Date (as of 2/8/17)</b>	<b>FY 2017-18 Senate Change</b>
<b>1. Energy Package</b>	FTE	19.0	0.0
<u>Executive</u> includes increased funding for the Michigan Administrative Hearing System, the Michigan Agency for Energy, and the Michigan Public Service Commission to support the expanded scope of the department's responsibilities under Public Acts 341 and 342 of 2016. <u>House</u> concurs. <u>Senate</u> concurs.	<b>Gross</b>	<b>\$2,810,000</b>	<b>\$300,500</b>
	Restricted	2,810,000	300,500
	GF/GP	\$0	\$0
<b>2. Medical Marijuana Facilities, Licensing, and Tracking Program</b>	FTE	NA	108.0
<u>Executive</u> includes funding to support the Department's responsibilities for the implementation of the Medical Marijuana Facilities Licensing Act (Public Act 281 of 2016). Funding for the appropriation comes from the Marijuana Regulatory Fund, which receives revenues from license application fees and an annual assessment levied on licensed growers, processors, provisioning centers, and secure transporters of marijuana. The appropriation is prorated to reflect that the Department and the Medical Marijuana Licensing Board can begin accepting license applications on December 15, 2017. <u>House</u> reduces funding by \$2.1 million and reduces FTE authorization by 20.0 FTEs. <u>Senate</u> reduces funding by \$8.7 million.	<b>Gross</b>	<b>NA</b>	<b>\$10,000,000</b>
	Restricted	NA	10,000,000
	GF/GP	NA	\$0
<b>3. Michigan Indigent Defense Commission Transfer</b>	FTE	NA	16.0
<u>Executive</u> includes funding and authorization for FTE positions to reflect the transfer of the Michigan Indigent Defense Commission to LARA from the Judiciary, pursuant to Public Act 439 of 2016. The appropriation will primarily be used to cover staffing costs associated with the commission. Positions within the commission include administrative assistants, a grant manager, and regional administrators, among others. <u>House</u> concurs. <u>Senate</u> concurs.	<b>Gross</b>	<b>NA</b>	<b>\$2,386,800</b>
	GF/GP	NA	\$2,386,800

<b>Major Budget Changes From FY 2016-17 YTD Appropriations</b>		<b>FY 2016-17 Year-to-Date (as of 2/8/17)</b>	<b>FY 2017-18 Senate Change</b>
<b>4. First Responder Presumed Coverage Fund Administration</b>	<b>Gross</b>	<b>NA</b>	<b>\$200,000</b>
<u>Executive</u> includes funding to support the administration of first responder claims pursuant to Public Act 515 of 2014. The authorization is supported by a portion of the revenue that is anticipated to be generated from the Medical Marihuana Excise Fund in FY 2017-18. The Medical Marihuana Excise Fund will receive revenues from the 3% excise tax that is levied upon marihuana provisioning centers. The funding will be used for payroll for one FTE and for contractual services. <u>House</u> concurs. <u>Senate</u> concurs.	Restricted	NA	200,000
	GF/GP	NA	\$0
<b>5. Increased Attorney General Costs for Unlicensed Activity Enforcement</b>	<b>Gross</b>	<b>NA</b>	<b>\$439,300</b>
<u>Executive</u> increases funding to the Bureau of Professional Licensing in order to properly fund the activities conducted by the Attorney General (AG) for enforcement against unlicensed regulatory activity. The AG's office previously handled unlicensed activity cases only for unlicensed builders. Under a new Memorandum of Understanding, the AG's office is now handling unlicensed activity cases for Accountancy and Real Estate Brokers and Salespersons. The AG's office is also handling the criminal investigations for all three of the aforementioned areas of unlicensed activity. <u>House</u> concurs. <u>Senate</u> concurs.	Restricted	NA	439,300
	GF/GP	NA	\$0
<b>6. Michigan Administrative Hearing Authorization Decrease</b>	<b>Gross</b>	<b>NA</b>	<b>(\$200,000)</b>
<u>Executive</u> reduces funding to reflect decreased costs for the services that MAHS provides to the Department of Corrections. There has been a decrease in the amount of services required due to a declining population of prisoners in Michigan. <u>House</u> concurs. <u>Senate</u> concurs.	IDG	NA	(200,000)
	GF/GP	NA	\$0
<b>7. Video Franchise Services Funding Restoration</b>	<b>Gross</b>	<b>NA</b>	<b>\$300,000</b>
<u>Executive</u> includes funding to support the Video Franchise Services program using revenues from Public Utility Assessments, pursuant to Public Act 438 of 2016. <u>House</u> concurs. <u>Senate</u> concurs.	Restricted	NA	300,000
	GF/GP	NA	\$0
<b>8. First Responder Presumed Coverage Claims</b>	<b>Gross</b>	<b>NA</b>	<b>\$1,780,000</b>
<u>Executive</u> includes funding to cover payments of first responder presumed coverage claims pursuant to Public Act 515 of 2014. The appropriation is supported by revenues anticipated to be generated from the marihuana excise tax. <u>House</u> concurs. <u>Senate</u> concurs.	Restricted	NA	1,780,000
	GF/GP	NA	\$0
<b>9. Public Service Commission Natural Gas Pipelines – Federal Compliance</b>	FTE	5.0	0.0
	<b>Gross</b>	<b>\$770,000</b>	<b>\$144,300</b>
<u>Executive</u> includes funding for the Public Service Commission to cover the costs of 5.0 FTEs in order to meet the mandated level of required inspection days for natural gas pipelines, which is determined by the Pipeline and Hazardous Materials Safety Administration (PHMSA). The additional 5.0 FTEs and \$770,000 in funds were appropriated in FY 2016-17 by Public Act 340 of 2016. <u>House</u> concurs. <u>Senate</u> concurs.	Federal	623,700	115,100
	Restricted	146,300	29,200
	GF/GP	\$0	\$0
<b>10. Ethnic Commission Service Expansion</b>	<b>Gross</b>	<b>\$473,000</b>	<b>\$75,000</b>
<u>Executive</u> includes increased funding of \$25,000 (GF/GP) each to the Hispanic/Latino commission of Michigan, the Asian Pacific American affairs commission, and the Commission on Middle Eastern American affairs. <u>House</u> revises, so that the total increase remains \$75,000 (GF/GP) but the Hispanic/Latino commission of Michigan and the Asian Pacific American affairs commission would each receive \$20,000 in additional funding, while the Commission on Middle Eastern American affairs would receive a \$35,000 increase. <u>Senate</u> concurs with the Executive.	GF/GP	\$473,000	\$75,000
<b>11. Childcare Licensing Background Checks</b>	FTE	NA	4.0
<u>Executive</u> includes funding to conduct expanded background checks on childcare providers, as required by new federal rules associated with the Federal Child Care and Development Block Grant received by the Michigan Department of Education (MDE). <u>House</u> concurs. <u>Senate</u> concurs.	<b>Gross</b>	<b>NA</b>	<b>\$800,000</b>
	IDG	NA	800,000
	GF/GP	NA	\$0

		FY 2016-17 Year-to-Date (as of 2/8/17)	FY 2017-18 Senate Change
<b>Major Budget Changes From FY 2016-17 YTD Appropriations</b>			
<b>12. Increase Direct Shipper Enforcement Fund Appropriation</b>	<b>Gross</b>	<b>NA</b>	<b>\$172,200</b>
The Senate included additional appropriations from the Direct Shipper Enforcement Fund to increase enforcement actions against unlicensed sellers of wine. The increased appropriation would bring total appropriations from the fund to \$300,000.	Restricted	NA	172,200
	GF/GP	NA	\$0
<b>13. Removal of One-Time Funding</b>	<b>Gross</b>	<b>\$4,960,000</b>	<b>(\$4,960,000)</b>
<u>Executive</u> eliminates \$4.96 million (\$3.4 million GF/GP) in one-time funding that was included in the FY 2016-17 budget. FY 2016-17 one-time appropriations were made for Fire Protection Grant Enhancement and for the Michigan Liquor Control Commission IT project. <u>House</u> concurs with the elimination of one-time funding for the IT project, but retains \$1,000,000 (GF/GP) for Fire Protection Grant Enhancement. <u>Senate</u> concurs with the Executive.	Restricted	1,560,000	(1,560,000)
	GF/GP	\$3,400,000	(\$3,400,000)
<b>14. Revenue Alignment and Reduction of Overstated Deducts</b>	<b>Gross</b>	<b>NA</b>	<b>(\$2,983,300)</b>
<u>Executive</u> reduces federal, local, and restricted authorizations for a net decrease of \$3.0 million in order to accurately reflect available funds and to align with revenue estimates. Adjustments include:	Federal	NA	(83,700)
	Local	NA	(2,400)
	Restricted	NA	(2,897,200)
	GF/GP	NA	\$0
<ul style="list-style-type: none"> <li>Removal of the EPA Pollution Prevention Grant deduct due to the elimination of the award (\$83,700)</li> <li>A shift of \$1.0 million in authorization from the Tax Tribunal Fund to Corporation Fees in order to support MAHS due to declining revenues from the fees deposited to the Tax Tribunal Fund</li> <li>Multiple reductions in overstated deducts of state restricted funds and the local stabilization authority contract</li> </ul>			
<u>House</u> concurs. <u>Senate</u> concurs.			
<b>15. Economics Adjustment</b>	<b>Gross</b>	<b>NA</b>	<b>\$2,319,700</b>
<u>Executive</u> reflects a net increase in costs for negotiated salary and wage increases (3.0% ongoing after removing the FY 2016-17 one-time 1.5% lump sum), actuarially required retirement contributions, and building occupancy changes. <u>House</u> concurs. <u>Senate</u> concurs.	IDG	NA	311,300
	Federal	NA	393,700
	Local	NA	800
	Restricted	NA	1,380,200
	GF/GP	NA	\$233,700

#### **Major Boilerplate Changes From FY 2016-17**

##### **Sec. 207. Out-of-State Travel Requirements and Report Title – RETAINED**

Stipulates a set of conditions under which out-of-state travel is permissible and requires LARA to submit a report pertaining to out-of-state travel for state employees, including the dates of each travel occurrence and the related expenses and fund sourcing. Executive deletes. House retains, but revises to include a requirement that out-of-state travel be approved by a departmental employee's immediate supervisor. Senate retains without revision.

##### **Sec. 217. Records Retention – DELETED**

Requires LARA to retain all records in accordance with state and federal guidelines. Executive deletes. House retains. Senate deletes.

##### **Sec. 218. Communications with the Legislature – RETAINED**

Prohibits LARA from taking disciplinary action against an employee for communicating with a member of the Legislature or its staff. Executive deletes. House retains. Senate retains.

##### **Sec. 219. Television and Radio Productions – RETAINED**

Prohibits LARA from developing or producing television or radio productions. Executive deletes. House retains. Senate retains.

##### **Sec. 220. Healthy Michigan Plan Accounting Structure – RETAINED**

Requires LARA, in conjunction with the Department of Health and Human Services (DHHS), to maintain accounting structures within this state's accounting system that allow for the identification of expenditures associated with the Healthy Michigan Plan. Executive deletes. House retains, but revises to eliminate the requirement that the department provide relevant accounting structures and business objects codes. Senate retains without revision.

## **Major Boilerplate Changes From FY 2016-17**

### ***Sec. 226. Regulatory Statistical Report – RETAINED***

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 agencies within LARA. Executive deletes. House retains. Senate retains.

### ***Sec. 227. Departmental Employee Performance Monitoring Process – RETAINED***

Stipulates legislative intent that LARA establish a consistent employee performance monitoring process and submit a report pertaining to planned or implemented changes to that process. Executive deletes. House concurs. Senate retains.

### ***Sec. 301. Exploration of Carbon Dioxide Capture – DELETED***

Tasks the Michigan Agency for Energy and the Michigan Public Service Commission with exploring sources of captured carbon dioxide and its use in enhanced oil recovery; the Michigan Agency for Energy is required to report its findings. Executive deletes. House concurs. Senate concurs.

### ***Sec. 301. Low-Income Energy Assistance Grants – NEW***

Stipulates that funds supporting the grant program administered by the Michigan Agency for Energy on behalf of DHHS for low-income energy assistance are appropriated upon awarding of the grants, and may be expended for grant payments or administrative expenses for the operation of the program. Executive includes new language. House concurs. Senate concurs.

### ***Sec. 401. IT Upgrades to Mitigate Licensure Delays – RETAINED***

Stipulates that funds from the Liquor Purchase Revolving Fund be used to invest in upgrades to mitigate delays in issuing licenses; legislative intent is expressed that the upgrades should utilize free software if it is available. Executive deletes. House concurs. Senate retains.

### ***Sec. 402. Investigation of Direct Shipments of Wine and Report – REVISED***

Requires that the LCC should use funds as required under Section 203 of the Michigan Liquor Control Code, 1998 PA 58, to investigate illegal shipments of wine, and to report on these activities to the legislature. Executive deletes. House retains. Senate revises to include requirements that the MLCC include in a report information regarding activities and resources dedicated to investigating illegal shipments of wine, the results of these investigations, and policy recommendations for addressing the issue.

### ***Sec. 516. Sawmill Inspection Method and Report – DELETED***

Requires LARA to submit a report to the subcommittees and fiscal agencies detailing several findings from the department's inspections of wood products manufacturing facilities. Executive deletes. House concurs. Senate concurs.

### ***Sec. 517. Opioid Overprescribing Report – RETAINED***

Requires LARA to submit a report to the House and Senate Appropriations Committees detailing departmental action taken for overprescribing, it also requires LARA to provide information to prescribers on where they can obtain the most current federal guidelines on prescribing of opioids. Executive deletes. House deletes, but includes requirements from this report in a new boilerplate section. Senate retains.

### ***Sec. 519. Performance Metrics for MAPS IT Upgrades and Staffing Enforcement – RETAINED***

Requires that LARA improve the functionality of the Michigan Automated Prescription System, to consider releasing data that does not contain patient protected information, and that the department should report on progress made. Executive deletes. House concurs. Senate retains.

### ***Sec. 705. Vocational Rehabilitation Matching Funds – RETAINED***

Requires the Bureau of Services for Blind Persons (BSBP) to work collaboratively with service organizations and governments to identify match dollars and maximize federal vocational rehabilitation funds. Executive deletes. House retains. Senate retains.

### ***Sec. 708. First Responder Presumed Coverage Fund Receive and Expend Authorization – NEW***

Stipulates that funds received in excess of the appropriation in part 1 for first responder presumed coverage claims from the first responder presumed coverage fund are appropriated in an amount sufficient to pay approved claims due in the current fiscal year. Executive includes new language. House concurs. Senate concurs.

### ***Sec. 800. Michigan Indigent Defense Commission Receipt of Federal Funding – NEW***

Authorizes the Michigan Indigent Defense Commission (MIDC) to receive and expend up to \$250,000 as an interdepartmental grant from the Department of State Police if Byrne formula grant funding is awarded to the MIDC; the commission may receive and expend federal grant funding from the United States Department of Justice in an amount not to exceed \$300,000. Executive includes new language. House concurs. Senate concurs.

### ***Sec. 801. Michigan Indigent Defense Commission Report on Incremental Costs – NEW***

Requires the Michigan Indigent Defense Commission to submit a report on the incremental costs associated with the standard development process, the compliance plan process, and the collection of data from all indigent defense systems and attorneys providing indigent defense. Executive includes new language. House concurs. Senate concurs.

**Major Boilerplate Changes From FY 2016-17**

***Sec. 902. Medical Marihuana Registry Cards Report and Grants to County Law Enforcement – RETAINED***

Stipulates that LARA award Medical Marihuana Operation and Oversight Grants to county law enforcement, requires LARA to post a listing of available grant funds, requires reports submitted by both county sheriffs' offices and LARA pertaining to the amounts, recipients, and uses of the grants; permits county sheriffs' offices to distribute discretionary grants to municipal law enforcement agencies. Executive revises to include language indicating that Fiscal Year 2017-18 will be the final year for the distribution of medical marihuana enforcement grants, due to the new regulatory structure created by 2016 PA 281. House concurs. Senate retains current year language.

***Sec. 1001. Performance Metrics for LCC IT Upgrades – DELETED***

Requires the Liquor Control Commission to maintain customer service standards and to identify outcomes and performance metrics. Executive deletes. House concurs. Senate concurs.