

FY 2018-19: DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS



Summary: House Subcommittee Chair's Recommendation House Bill 5574 (H-1) Draft 1

Analyst: Marcus Coffin

	FY 2017-18 YTD as of 2/7/18	FY 2018-19 Rev. Executive	FY 2018-19 House	FY 2018-19 Senate	FY 2018-19 Enacted	Difference: House From FY 2017-18 YTD	
						Amount	%
IDG/IDT	\$47,835,100	\$48,414,300	\$48,414,300			\$579,200	1.2
Federal	65,020,900	65,744,400	65,744,400			723,500	1.1
Local	250,000	100,000	100,000			(150,000)	(60.0)
Private	111,800	111,800	111,800			0	--
Restricted	277,037,600	288,771,300	288,771,300			11,733,700	4.2
GF/GP	44,416,600	88,820,300	88,820,300			44,403,700	100.0
Gross	\$434,672,000	\$491,962,100	\$491,962,100			57,290,100	13.2
FTEs	2,379.8	2,379.8	2,379.8			0	--

Notes: (1) FY 2017-18 year-to-date figures include mid-year budget adjustments through February 7, 2018. (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 this state's primary regulatory agency. The department conducts regulation in numerous sectors, including: commercial and occupational activities, construction and fire safety, health care and human services, energy and public utilities, liquor control, and medical marihuana. 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 provides vocational rehabilitation services for the blind and coordinates employment services for immigrants. 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. Lastly, LARA contains and provides support for three ethnic affairs commissions and the Michigan Indigent Defense commission.

Major Budget Changes From FY 2017-18 YTD Appropriations

1. Michigan Indigent Defense Commission Grants

Executive includes \$61.3 million Gross (\$15.3 million state restricted reimbursements from partially indigent defendants and \$46.0 million GF/GP) to support grants made by the Michigan Indigent Defense Commission (MIDC). Grants will be made to local funding units, to support various provisions contained within approved compliance plans and cost analyses that will align indigent defense practices with four standards established by the MIDC. House concurs.

	FY 2017-18 Year-to-Date (as of 2/7/18)	FY 2018-19 House Change
Gross	NA	\$61,300,000
Restricted	NA	15,300,000
GF/GP	NA	\$46,000,000

2. First Responder Presumed Coverage Claims

Executive provides an additional \$3.5 million in restricted funding from the First Responder Presumed Coverage Fund in order to annualize revenues to support payments of First Responder Presumed Coverage claims. The increase will bring the total amount of the authorization to \$5.2 million (\$0 GF/GP). Funds are projected to be available for this purpose from revenues to the Medical Marihuana Excise Fund. House concurs.

Gross	\$1,780,000	\$3,465,000
Restricted	1,780,000	3,465,000
GF/GP	\$0	\$0

3. Medical Marihuana Operation and Oversight Grant Elimination

Executive eliminates \$3.0 million in restricted funding that supported grants made to county law enforcement agencies, which were distributed proportionally based on the number of registry identification cards issued or renewed within a given county. Pursuant to 2016 PA 281, local governments now receive different grants, determined by statutory amounts due from the Medical Marihuana Excise Fund. House concurs.

Gross	\$3,000,000	(\$3,000,000)
Restricted	3,000,000	(3,000,000)
GF/GP	\$0	\$0

Major Budget Changes From FY 2017-18 YTD Appropriations		FY 2017-18 Year-to-Date (as of 2/7/18)	FY 2018-19 House Change
4. Liquor Law Enforcement Grants Enhancement	Gross	\$7,200,000	\$1,200,000
<u>Executive</u> provides for an increase of \$1.2 million in restricted funding for the amount available for the grants. Funding for the grants comes from retailers' liquor license fees and license renewal fees. Per statute, 55% of revenues from these license fees are to be distributed to the jurisdiction that collected them for the enforcement of the Liquor Control Code and associated rules. <u>House</u> concurs.	Restricted	7,200,000	1,200,000
	GF/GP	\$0	\$0
5. Fire Protection Grants Elimination	Gross	\$9,273,900	(\$9,273,900)
<u>Executive</u> eliminates the \$9.3 million (\$773,900 GF/GP) authorization for Fire Protection Grants. The Executive has included a proposal to use \$15 million from Local Community Stabilization Authority (LCSA) Tier 3 payments for nonessential services to provide a new funding mechanism for the grants. <u>House</u> concurs.	Restricted	8,500,000	(8,500,000)
	GF/GP	\$773,900	(\$773,900)
6. Nurse Aide Training and Registration Program	Gross	NA	\$600,000
<u>Executive</u> includes \$600,000 in restricted funding from the Nurse Aide Registration Fund to implement the Nurse Aide Training and Registration Program, pursuant to 2017 PA 172. <u>House</u> concurs	Restricted	NA	600,000
	GF/GP	NA	\$0
7. Substance Use Disorder Programs	Gross	NA	\$500,000
<u>Executive</u> includes \$500,000 in restricted funding from the Marijuana Regulatory Fund to support costs associated with the licensing of substance use disorder programs. Pursuant to 2016 PA 281, \$500,000 must be distributed from collected regulatory assessments for licensing substance use disorder programs. <u>House</u> concurs.	Restricted	NA	500,000
	GF/GP	NA	\$0
8. Elimination of Administrative Support for the Local Community Stabilization Authority	Gross	\$150,000	(\$150,000)
<u>Executive</u> eliminates \$150,000 in local funding that was supported by local revenues and which supported staff and operations of the Local Community Stabilization Authority. Responsibilities previously supported by these funds have been shifted to the Michigan Municipal Services Authority (MMSA). <u>House</u> concurs.	Local	150,000	(150,000)
	GF/GP	\$0	\$0
9. Division on Deafness Fund Transfer	Gross	NA	\$93,400
<u>Executive</u> includes \$93,400 in restricted funding to reflect the transfer of program functions from the Department of Civil Rights to LARA, pursuant to Executive Order No. 2017-8. The Executive Order transferred responsibility for the testing and certification of interpreters for the deaf to LARA. <u>House</u> concurs.	Restricted	NA	93,400
	GF/GP	NA	\$0
10. Removal of One-Time Appropriations	Gross	\$1,400,100	(\$1,400,100)
<u>Executive</u> removes \$1.4 million Gross (\$1.4 million GF/GP) in FY 2017-18 one-time appropriations. Appropriations included \$1.4 million GF/GP for Fire Protection Grants Enhancement and \$100 in restricted funding for the Drinking Water Declaration of Emergency. <u>House</u> concurs.	Restricted	100	(100)
	GF/GP	\$1,400,000	(\$1,400,000)
11. Revenue Alignment and Reduction of Overstated Deducts	Gross	NA	(\$639,300)
<u>Executive</u> reduces restricted fund authorizations for a net decrease of \$639,300, in order to accurately reflect fund availability and to align with revenue estimates. <u>House</u> concurs.	Restricted	NA	(639,300)
	GF/GP	NA	\$0
12. Economic Adjustments	Gross	NA	\$4,595,000
<u>Executive</u> reflects increased costs of \$4.6 million Gross (\$577,600 GF/GP) for negotiated salary and wage increases (2.0% ongoing), actuarially required retirement contributions, worker's compensation, building occupancy changes, and other economic adjustments. <u>House</u> concurs.	IDG	NA	579,200
	Federal	NA	723,500
	Restricted	NA	2,714,700
	GF/GP	NA	\$577,600

Major Boilerplate Changes From FY 2017-18

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

Stipulates various 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. Executive revises to strike sections delineating conditions for the permissibility of out-of-state travel and by heavily modifying the requirements of the report. House retains.

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.

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

Prohibits LARA from developing or producing television or radio productions. Executive deletes. House 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 which will facilitate the identification of expenditures associated with the Healthy Michigan Plan. Executive deletes. House retains.

Sec. 226. *Regulatory and 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 regulatory agencies within LARA. Executive deletes. House 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 retains.

Sec. 301. *Low-Income Energy Assistance Grants* – REVISED

Stipulates funds supporting the low-income energy assistance grant program are appropriated upon the awarding of grants and may be used for grant payments or administrative expenses related to the program. Executive revises to indicate that the Public Service Commission now administers the grants on behalf of DHHS. House concurs.

Sec. 401. *IT Upgrades to Mitigate Licensure Delays* – DELETED

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 deletes.

Sec. 401. *Investigation of Direct Shipments of Wine and Report* – REVISED

Stipulates the LCC shall use funds appropriated from the Direct Shipper Enforcement Fund – as required in the Michigan Liquor Control Code – to investigate illegal direct shipments of wine; requires the LCC to produce a report detailing activities to investigate the illegal shipping of wine. House revises to include a requirement that cases of out-of-state illegal shipping be referred to the Attorney General and that a notice be sent to entities shipping illegally.

Sec. 505. *Medical Marijuana Program Report and Fees* – RETAINED

Requires LARA to submit a report pertaining to revenue, expenditures, application determinations, timeliness, and administration of the Medical Marijuana Program. Executive revises to delete reporting requirements. House retains.

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

Requires LARA to assess and collect fees on child care and adult foster care organizations in accordance with existing legislation; the department is required to report these collections to the fiscal agencies. Executive revises to exclude the requirement that the department report collected fees to the fiscal agencies. House retains.

Sec. 510. *Michigan Automated Prescription System (MAPS) Report* – REVISED

Requires LARA to submit a report detailing usage statistics for MAPS, department activities resulting from information obtained from MAPS, and integrations between MAPS and electronic health record systems. Executive revises to include a more detailed reporting requirement for the types of entities that have integrated their electronic health records systems and to include a reporting requirement for the number of delegate users registered. House concurs.

Sec. 702. *Vocational Rehabilitation Matching Funds* – RETAINED

Requires BSBP to work collaboratively with service organizations and government entities to identify match dollars and maximize federal vocational rehabilitation funds. Executive deletes. House retains.

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

Executive includes a new section requiring the MIDC to identify and implement a performance metrics system that compares indigent defense services in Michigan to national standards; and to issue a report on the metrics. House concurs.

Sec. 805. *Ethnic Affairs Commissions Activities* – NEW

House adds new language requiring that expenditures for commission events directly relate to the commission's mission statement.

Major Boilerplate Changes From FY 2017-18

Sec. 901. Fire Protection Grants – DELETED

House deletes language requiring LARA to award appropriated fire protection grant funds to local units of government for fire protection services provided to state-owned facilities located within their jurisdictions, in accordance with 1977 PA 289.

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

Stipulates LARA is to award Medical Marihuana Operation and Oversight Grants to county law enforcement offices; requires LARA to post a listing of available grant funds; requires reports be submitted by both county sheriffs' offices and LARA pertaining to the amounts, recipients, and uses of the grants; and permits county sheriffs' offices to distribute discretionary grants to municipal law enforcement agencies. Executive deletes. House deletes.