

DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
Summary of FY 2020-21 Enacted
Public Act 166 of 2020 (House Bill 5396, Article 9)

Analyst: Marcus Coffin

	FY 2019-20 YTD as of 2/6/20	FY 2020-21 Enacted	Difference: Enacted From FY 2019-20 YTD	
			Amount	%
IDG/IDT	\$44,225,300	\$46,664,600	\$2,439,300	5.5
Federal	28,125,600	28,823,700	698,100	2.5
Local	0	0	0	--
Private	0	0	0	--
Restricted	251,328,300	259,295,700	7,967,400	3.2
GF/GP	111,606,400	149,605,600	37,999,200	34.0
Gross	\$435,285,600	\$484,389,600	\$49,104,000	11.3
FTEs	1,849.9	1,857.9	8.0	0.4

Notes:

- (1) FY 2019-20 year-to-date figures are as of release of the executive budget on February 6, 2020 and do not include mid-year budget adjustments.
- (2) Appropriation figures include all proposed appropriation amounts and amounts designated as "one-time."
- (3) Because of revenue uncertainty due to the COVID-19 pandemic, separate FY 2020-21 budget bills were not passed by the House or the Senate.

Overview

The Department of Licensing and Regulatory Affairs (LARA) is the state's primary regulatory agency. The department oversees regulation across a variety of sectors, including commercial and occupational activities, construction and fire safety, health care and human services, public utilities, liquor control, and marijuana. Entities within LARA also conduct and adjudicate administrative hearings, oversee rules promulgation, provide support for the Michigan Indigent Defense Commission and the Unarmed Combat Commission, and administer multiple grant programs, including Michigan Indigent Defense Commission grants.

Major Budget Changes from FY 2019-20 YTD Appropriations

1. Michigan Indigent Defense Commission Grants

Includes an additional \$36.5 million GF/GP for Michigan Indigent Defense Commission grants, to fund the state's projected share of indigent defense costs in FY 2020-21 (\$117.5 million). MIDC grants are distributed to funding units of district and circuit courts and currently support the implementation of approved indigent defense standards 1-4.

	FY 2019-20 Year-to-Date (as of 2/6/20)	FY 2020-21 Enacted Change
Gross	\$80,999,600	\$36,467,800
Restricted	200,000	0
GF/GP	\$80,799,600	\$36,467,800

2. Childcare Licensing Background Checks

Increases the IDG from the Michigan Department of Education by \$1.3 million to support background check costs for staff members at licensed childcare centers, with funding supporting up to 400 background checks per week. The IDG is supported in MDE by federal funding from the Child Care Development Fund.

Gross	NA	\$1,300,000
IDG/IDT	NA	1,300,000
GF/GP	NA	\$0

LICENSING AND REGULATORY AFFAIRS

Major Budget Changes from FY 2019-20 YTD Appropriations		FY 2019-20 Year-to-Date (as of 2/6/20)	FY 2020-21 Enacted Change
3. Marijuana Regulatory Agency Staffing Increase			
	FTE	150.0	8.0
	Gross	\$21,868,500	\$1,116,800
	Restricted	21,868,500	1,116,800
	GF/GP	\$0	\$0
Includes \$1.1 million of restricted funding and authorization for 8.0 FTE positions for the Marijuana Regulatory Agency for regulation of medical and adult-use marijuana. Of the \$1.1 million and 8.0 FTE positions, \$518,400 Gross and 4.0 FTE positions will be allocated for medical regulation and \$598,400 Gross and 4.0 FTE positions will be allocated for adult-use regulation. The allocations will support inspector positions, which are responsible for conducting inspections and investigations of licensed facilities and licensure applicants.			
4. Michigan Saves Green Bank			
	Gross	NA	\$1,000,000
	GF/GP	NA	\$1,000,000
Includes \$1.0 million GF/GP for a Public Service Commission grant award to Michigan Saves, a non-profit green bank, to provide credit enhancement tools for renewable energy and energy efficiency improvement loans to commercial, residential, and public entities (with lower rates and favorable terms). Such credit enhancement tools may include a loan loss reserve fund.			
5. Marijuana Regulation Fund Adjustment			
	Gross	NA	\$552,000
	Restricted	NA	552,000
	GF/GP	NA	\$0
Includes an additional \$552,000 of restricted funding authorization from the Marijuana Regulation Fund, adult-use licensing fees and excise tax revenues, for the following line items:			
<ul style="list-style-type: none"> • Administrative Services (\$150,000) • Executive Director Programs (\$52,000) • Michigan Office of Administrative Hearings and Rules (\$100,000) • Information Technology Services and Projects (\$250,000). 			
6. Urban Search and Rescue Increase			
	Gross	\$600,100	\$399,900
	Restricted	100	(100)
	GF/GP	\$600,000	\$400,000
Includes an additional \$400,000 GF/GP for the Urban Search and Rescue line item, which provides grant funding to the Michigan Mutual Aid Alarm System for costs associated with supervisory and essential functions at incidents where technical rescue expertise and equipment are required for effective rescue operations.			
7. Marijuana Regulatory Fund Adjustment			
	Gross	NA	\$280,000
	Restricted	NA	280,000
	GF/GP	NA	\$0
Includes an additional \$280,000 of restricted funding authorization from the Marijuana Regulatory Fund, medical licensing fees and assessments, for the following line items:			
<ul style="list-style-type: none"> • Administrative Services (\$63,000) • Executive Director Programs (\$17,000) • Michigan Office of Administrative Hearings and Rules (\$200,000). 			
8. MIDC Statewide Grant Management System Costs			
	Gross	\$18,650,000	\$72,000
	Federal	1,124,500	0
	Restricted	16,338,300	0
	GF/GP	\$1,187,200	\$72,000
Includes \$72,000 GF/GP for the Information Technology Services and Projects line item for ongoing maintenance costs for the MIDC's grants management system.			
9. Removal of FY 2019-20 One-Time Funding			
	Gross	\$10,000	(\$10,000)
	Restricted	10,000	(10,000)
	GF/GP	\$0	\$0
Removes \$10,000 of restricted funding that was included in the FY 2019-20 budget for producing educational materials to inform consumers, particularly children and young adults, about the potential effects of marijuana use.			

LICENSING AND REGULATORY AFFAIRS

<u>Major Budget Changes from FY 2019-20 YTD Appropriations</u>	FY 2019-20 Year-to-Date (as of 2/6/20)	FY 2020-21 Enacted Change	
10. Technical Adjustments	Gross	NA	\$355,300
Makes numerous fund shifts, organizational changes, authorization alignments, and technical adjustments, including effectuating EO 2019-13. The following are specific changes included:	IDG/IDT	NA	294,200
	Federal	NA	(4,800)
	Restricted	NA	719,700
	GF/GP	NA	(\$653,800)
<ul style="list-style-type: none">Internally transfers the Health Facilities Engineering Section from the Bureau of Construction Codes to the Bureau of Community and Health Systems (\$1.2 million Gross and 7.0 FTE positions).Increases restricted authorization from the Licensing and Regulation Fund (\$405,500) and Securities Fees (\$519,600) for the Corporations, Securities, and Commercial Licensing Bureau.Decreases restricted authorization from the Survey and Remonumentation Fund for the Remonumentation Grants line item by \$500,000.Decreases restricted authorization from the Liquor Purchase Revolving Fund for the Property Management line item by \$410,300.Increases restricted authorization from the Fireworks Safety Fund for the Bureau of Fire Services line item by \$200,000.Removes \$100,000 GF/GP from Bureau of Construction Codes line item and replaces it with restricted authorization from the Construction Codes Fund.Increases authorization from the Accountancy Enforcement Fund for the Bureau of Professional Licensing line item by \$80,000.Reduces GF/GP for the Bureau of Professional Licensing line item by \$550,000, while increasing restricted authorization from the Health Professions Regulatory fund by \$550,000.Reduces restricted authorization from Securities Fees for the Property Management line item by \$200,000.			
11. Economic Adjustments	Gross	NA	\$7,570,200
Reflects increased costs of \$9.2 million Gross (\$850,900 GF/GP) for negotiated salary and wage increases (2.0% on October 1, 2020 and 1.0% on April 1, 2021), actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments.	IDG/IDT	NA	845,100
	Federal	NA	702,900
	Restricted	NA	5,309,000
	GF/GP	NA	\$713,200

Major Boilerplate Changes from FY 2019-20

A specific listing of boilerplate sections deemed unenforceable was not provided. Rather, the governor's signing letter generally stated that sections violating the following provisions of the Michigan Constitution are unenforceable:

- Article 3, Section 2: Separation of Powers of Government
- Article 4, Section 22 and Article 4, Section 33: An attempt to authorize legislation other than by bill
- Article 4, Section 24: No law shall embrace more than one object, which shall be expressed in its title
- Article 4, Section 25: Amendment by reference
- Article 4, Section 53: Duties of the Auditor General
- Article 5, Section 28: Duties of the State Transportation Commission

Where a specific section was provided as an example in the signing letter, it is noted in the boilerplate section description below. This document will be updated upon the receipt of a more comprehensive list of unenforceable boilerplate sections.

Sec. 206. Communication with the Legislature – REVISED

Prohibits LARA from taking disciplinary action against employees for communicating with legislators or their staff. Revised to allow action in instances where the communication is unlawful and to renumber the section from Sec. 216 to 206.

LICENSING AND REGULATORY AFFAIRS

Major Boilerplate Changes from FY 2019-20

Sec. 216. FTE Vacancies and Remote Work Report – NEW

Requires LARA to report quarterly on the number of FTE positions filled and to report semiannually on the number of employees engaged in remote work in 2020, the number of employees engaged in remote work in the reporting period, and savings achieved by remote work.

Sec. 217. Work Project Expenditures – NEW (UNENFORCEABLE)

Requires work project authorizations be exhausted before new appropriations are expended for the same purpose, to the extent possible in LARA.

(Governor's signing letter states this section is unenforceable.)

Sec. 218. Legislature Action on Administrative Board Transfers – NEW

Allows the legislature to intertransfer funds within the LARA budget via concurrent resolution if the State Administrative Board transfers funds in the budget.

Sec. 219. Reports Retention – NEW

Requires LARA to receive and retain copies of all reports funded under part 1.

Sec. 220. Healthy Michigan Plan Accounting Structure – DELETED

Requires LARA, in conjunction with DHHS, to maintain an accounting structure within the state's accounting system allowing identification of expenditures associated with the Healthy Michigan Plan.

Sec. 220. Policy Changes Report – NEW

Requires LARA to report on each policy change made in the prior calendar year to implement public acts affecting the department.

Sec. 226. Regulatory Statistical Report – REVISED

Requires LARA to submit an annual report specifying and summarizing 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. Revised to align requirements and to incorporate complaints reporting requirements previously under section 514.

Sec. 229. Television and Radio Productions – REVISED

Prohibits LARA from using appropriations to develop or produce television or radio productions through a third-party vendor. Revised to delete the prohibition and to require a report on any expenditure of funds to a third-party vendor for a television or radio production.

Sec. 505. Marijuana Program Report – REVISED

Requires LARA to submit a report on revenue, expenditures, application determinations, and timeliness of Medical Marijuana Program and other specified information. Revised to consolidate all reporting on programs administered by the Marijuana Regulatory Agency into a single report.

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

Requires LARA to serve a facility and notify offices of representing legislators when an order of suspension is received for a licensed adult foster care home, home for the aged, or nursing home. Revised to include the Subcommittees on Health and Human Services as recipients of the notice.

Sec. 512. Marijuana Regulation Report – DELETED

Requires LARA to submit a report providing information regarding licensing, revenues, and costs for medical and adult-use marijuana regulation.

Sec. 513. Marijuana Community Impact Statements – DELETED

Requires LARA to report on addresses of all licensed medical and recreational marijuana facilities; requires LARA to coordinate with local authorities to create community impact statements and neighbor responsibility plans, upon request.

Sec. 514. Complaints Reports – DELETED

Requires various entities in LARA to report on complaint volumes, resolution processes, and enforcement actions.

Sec. 515. Substance Use Disorder Program Licensing – DELETED

Stipulates requirements that residential detoxification program licensees must fulfill.

Major Boilerplate Changes from FY 2019-20

Sec. 701. Bureau of Services for Blind Persons Case Services – DELETED

Stipulates that funds appropriated for BSBP include funds for case services that may be used for tuition payments for blind clients; unexpended revenue collected by BSBP and from local and private sources may carry forward into subsequent fiscal year.

Sec. 702. Vocational Rehabilitation Matching Funds – DELETED

Requires BSBP to work collaboratively with service organizations and governments to identify match dollars and maximize federal vocational rehabilitation funds.

Sec. 703. BSBP Service Agreements – DELETED

Authorizes BSBP to provide support and services to various agencies and organizations, and for LARA to charge fees for these services; stipulates funds collected for these services are appropriated when received.

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

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

Sec. 803. Ethnic Affairs Commissions Reporting – DELETED

Requires Michigan Office for New Americans to coordinate with three ethnic affairs commissions to produce a report detailing the commissions' activities.

Sec. 804. Ethnic Affairs Commissions Spending – DELETED

Requires expenditure of appropriated funds by the commissions to directly relate to mission statements.

Sec. 805. Michigan Office For New Americans Report – DELETED

Requires MONA to report on activities of the office; stipulates reporting requirements.

Sec. 903. Local Support for Subregional Library Services – DELETED

Requires maintenance of effort for subregional libraries to receive state grants for expenditures for library services directly serving the blind and persons with disabilities.

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.

Sec. 1001. Marihuana Education Funding – DELETED

Requires funding for Marihuana Education to be used to produce and disseminate materials geared toward children and young adults that highlight potential risks and consequences associated with marihuana use.

Sec. 1001. Michigan Saves Grants – NEW

Allows the Public Service Commission to award \$1.0 million in grant funding to a non-profit green bank; stipulates the purpose of the grant and potential uses for the funding.