

**FY 2019-20: DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS**  
**Summary: As Reported by House Subcommittee**  
**House Bill 4239 (H-2)**



**Analyst: Marcus Coffin**

	FY 2018-19 YTD as of 3/5/19	FY 2019-20 Executive	FY 2019-20 House	FY 2019-20 Senate	FY 2019-20 Enacted	Difference: House From FY 2018-19 YTD	
						Amount	%
<b>IDG/IDT</b>	\$48,414,300	\$49,014,200	\$48,496,100			\$81,800	0.2
<b>Federal</b>	91,213,900	95,852,500	95,210,100			3,996,200	4.4
<b>Local</b>	300,000	100,000	100,000			(200,000)	(66.7)
<b>Private</b>	111,800	251,800	251,800			140,000	125.2
<b>Restricted</b>	276,471,400	303,125,900	295,188,500			18,717,100	6.8
<b>GF/GP</b>	135,845,300	124,268,100	123,228,000			(12,617,300)	(9.3)
<b>Gross</b>	<b>\$552,356,700</b>	<b>\$572,612,500</b>	<b>\$562,474,500</b>			<b>\$10,117,800</b>	<b>1.8</b>
<b>FTEs</b>	2,384.8	2,404.8	2403.8			19.0	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. The department 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).

		FY 2018-19 Year-to-Date (as of 3/5/19)	FY 2019-20 House Change
<b>Major Budget Changes From FY 2018-19 YTD Appropriations</b>			
<b>1. 2018 Initiated Law 1 – Veterans Treatment Research</b>			
<b>Gross</b>		NA	\$20,000,000
<b>Executive</b> includes \$20.0 million in restricted funding from the Marihuana Regulation Fund to support clinical trials (approved by the FDA and sponsored by non-profit organizations or researchers within academic institutions) researching the efficacy of marihuana for treatment of medical conditions afflicting veterans and for preventing veteran suicide, in accordance with 2018 Initiated Law 1. <u>House</u> concurs.	Restricted	NA	20,000,000
	GF/GP	NA	\$0
<b>2. Recreational Marihuana Regulation</b>			
	FTE	NA	30.0
<b>Gross</b>		NA	\$6,000,000
<b>Executive</b> 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, with the remainder being allocated for other costs, including information technology and contractual services. <u>House</u> concurs.	Restricted	NA	6,000,000
	GF/GP	NA	\$0
<b>3. Michigan Indigent Defense Commission Grants Reduction</b>			
<b>Gross</b>		\$86,850,100	(\$5,850,400)
<b>Executive</b> reduces funding by \$5.9 million GF/GP to reflect one-time costs that were included in FY 2018-19 grant awards to local funding units for compliance with MIDC standards 1-4. One-time costs in the FY 2018-19 grant awards included construction and facility renovation costs and equipment expenses. <u>House</u> concurs.	Local	200,000	0
	Restricted	100	0
	GF/GP	\$86,650,000	(\$5,850,400)

<b>Major Budget Changes From FY 2018-19 YTD Appropriations</b>		<b>FY 2018-19 Year-to-Date (as of 3/5/19)</b>	<b>FY 2019-20 House Change</b>
<b>4. First Responder Presumed Coverage Fund Removal</b>		<b>Gross</b>	<b>\$5,445,000</b>
<u>Executive</u> 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. <u>House</u> concurs with removal of First Responder Presumed Coverage Fund funding, but retains a \$100 GF/GP placeholder for the First Responder Presumed Coverage Fund Claims line item.		Restricted	<b>(\$5,444,900)</b>
		GF/GP	(5,445,000)
			\$100
<b>5. Office for New Americans – Unaccompanied Refugee Minors</b>		<b>Gross</b>	<b>NA</b>
<u>Executive</u> includes \$3.8 million in federal funding for the Michigan Office for New Americans to increase service capabilities of providers assisting unaccompanied refugee minors. Services offered by the providers include foster care, independent living, treatment, and residential placement. <u>House</u> concurs.		Federal	<b>\$3,790,900</b>
		GF/GP	3,790,900
			\$0
<b>6. Medical Marijuana Right-Sizing</b>		FTE	108.0
<u>Executive</u> includes \$900,000 in restricted funding from the Marijuana Regulatory Fund and a reduction of 13.0 FTE positions to align departmental resources with anticipated ongoing administrative, licensing, and enforcement activities related to medical marijuana licensing and regulation. <u>House</u> concurs.		<b>Gross</b>	(13.0)
		Restricted	<b>\$900,000</b>
		GF/GP	900,000
			\$0
			\$0
<b>7. Refugee Services Database</b>		<b>Gross</b>	<b>NA</b>
<u>Executive</u> 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 to streamline federal grant reporting requirements. <u>House</u> concurs.		Federal	<b>\$520,000</b>
		GF/GP	520,000
			\$0
<b>8. Bureau of Fire Services Awards</b>		<b>Gross</b>	<b>NA</b>
<u>Executive</u> increase federal funding for the Bureau of Fire Services by \$500,000 to recognize federal awards related to community risk reduction. <u>House</u> concurs.		Federal	<b>\$500,000</b>
		GF/GP	500,000
			\$0
<b>9. Child Care Restricted Funding</b>		<b>Gross</b>	<b>NA</b>
<u>Executive</u> 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. <u>House</u> concurs.		Restricted	<b>\$500,000</b>
		GF/GP	500,000
			\$0
<b>10. Adult Foster Care Restricted Funding</b>		<b>Gross</b>	<b>NA</b>
<u>Executive</u> 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. <u>House</u> concurs.		Restricted	<b>\$410,000</b>
		GF/GP	410,000
			\$0
<b>11. Firefighter Training Grants Enhancement</b>		<b>Gross</b>	<b>\$2,000,000</b>
<u>Executive</u> includes \$300,000 in restricted funding for enhancements to Firefighter Training Grants that would be disbursed on a county basis for reimbursements for Michigan Firefighters' Training Council-approved courses related to mental health and community risk reduction. <u>House</u> concurs.		Restricted	<b>\$300,000</b>
		GF/GP	2,000,000
			\$0
			\$0
<b>12. Bureau of Fire Services Testing Support</b>		FTE	NA
<u>Executive</u> 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. <u>House</u> concurs.		<b>Gross</b>	<b>NA</b>
		Restricted	<b>1.0</b>
		GF/GP	<b>\$289,900</b>
			289,900
			\$0

<b>Major Budget Changes From FY 2018-19 YTD Appropriations</b>		<b>FY 2018-19 Year-to-Date (as of 3/5/19)</b>	<b>FY 2019-20 House Change</b>
<b>13. Michigan Indigent Defense Commission Statewide Training</b>			
<u>Executive</u> 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. <u>House</u> does not include funding or FTE authorization.	FTE	16.0	0.0
	<b>Gross</b>	<b>\$2,420,700</b>	<b>\$0</b>
	GF/GP	\$2,420,700	\$0
<b>14. Light-Duty Zero Emission Vehicle Supply Equipment Program</b>			
<u>Executive</u> 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. <u>House</u> concurs.	FTE	NA	1.0
	<b>Gross</b>	<b>NA</b>	<b>\$140,000</b>
	Private	NA	140,000
	GF/GP	NA	\$0
<b>15. Marihuana Education</b>			
<u>House</u> includes \$10,000 in restricted funding from the Marihuana Regulation Fund for the production of educational materials to inform consumers about potential effects of using marihuana.	<b>Gross</b>	<b>NA</b>	<b>\$10,000</b>
	Restricted	NA	10,000
	GF/GP	NA	\$0
<b>16. Technical Adjustments</b>			
<u>Executive</u> 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. <u>House</u> concurs, but does not reflect any line item consolidations and unrolls the Bureau of Community and Health Systems line item.	<b>Gross</b>	<b>NA</b>	<b>(\$7,088,200)</b>
	Federal	NA	(952,400)
	Local	NA	(200,000)
	Restricted	NA	439,200
	GF/GP	NA	(\$6,375,000)
<b>17. Economic Adjustments</b>			
<u>Executive</u> 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 premiums, building occupancy charges, and other economic adjustments. <u>House</u> concurs.	<b>Gross</b>	<b>NA</b>	<b>\$5,083,400</b>
	IDG/IDT	NA	599,900
	Federal	NA	780,100
	Restricted	NA	3,260,400
	GF/GP	NA	\$443,000
<b>18. Administrative Efficiencies</b>			
<u>House</u> reduces operational funding throughout the budget, by a total of \$4.4 million Gross (\$479,400 GF/GP), reflecting a 3% reduction to be achieved through administrative efficiencies.	<b>Gross</b>	<b>NA</b>	<b>(\$4,354,600)</b>
	IDG/IDT	NA	(518,100)
	Federal	NA	(642,400)
	Restricted	NA	(2,714,700)
	GF/GP	NA	(\$479,400)
<b>19. Information Technology Reduction</b>			
<u>House</u> reduces funding available for information technology services and projects by \$5.6 million Gross (\$355,600 GF/GP).	<b>Gross</b>	<b>\$21,815,300</b>	<b>(\$5,588,300)</b>
	Federal	2,728,300	0
	Restricted	17,664,500	(5,232,700)
	GF/GP	\$1,422,500	(\$355,600)

**Major Boilerplate Changes From FY 2018-19**

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

Stipulates limitations regarding 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 delete limitations and alter reporting requirements. House retains current language.

**Sec. 218. Communication with the Legislature – RETAINED**

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

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

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

## **Major Boilerplate Changes From FY 2018-19**

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

Requires LARA, in conjunction with the Department of Health and Human Services (DHHS), to maintain an accounting structure within the state's accounting system that facilitates the identification of expenditures associated with the Healthy Michigan Plan. Executive deletes. House retains.

### **Sec. 226. *Regulatory and Statistical Report* – REVISED**

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. Executive deletes. House revises to include the Bureau of Marijuana Regulation as a reporting entity and to require information for the three previous fiscal years.

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

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. Executive deletes. House retains.

### **Sec. 302. *Fast Charging Siting Study* – DELETED**

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

### **Sec. 505. *Medical Marijuana Program Report* – RETAINED**

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

### **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. Executive deletes. House deletes.

### **Sec. 511. *Notice of AFC, HFA, and LTC Facility Closing* – RETAINED**

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. Executive deletes. House retains.

### **Sec. 512. *Medical Marijuana Facilities Licensing and Tracking Report* – REVISED**

Requires that LARA submit a report providing information regarding licensing under and revenues from the Medical Marijuana Facilities Licensing and Tracking Program. Executive revises to include subcommittees rather than full appropriations committees as report recipients. House revises to include the Michigan Regulation and Taxation of Marijuana Act in the report and to include data on license renewals.

### **Sec. 513. *Medical Marijuana Community Impact Statements* – NEW**

Requires LARA to submit a report on the addresses of facilities licensed under the Medical Marijuana Facilities Licensing Act; requires LARA to work with local units to prepare community impact statements for communities with three or more licensed facilities and stipulates what must be contained in the impact statement; requires neighbor responsibility plans in certain instances. Executive does not include. House includes.

### **Sec. 514. *Medical Marijuana Local Construction Labor* – NEW**

Stipulates legislative intent that LARA encourage medical marijuana facilities to use local construction workers on any projects. Executive does not include. House includes.

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

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. Executive deletes. House retains.

### **Sec. 704. *First Responder Presumed Coverage Claims Excess Funds* – RETAINED**

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. Executive deletes. House retains.

### **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. Executive deletes. House deletes.

## **Major Boilerplate Changes From FY 2018-19**

### ***Sec. 804. Ethnic Affairs Commission Report – REVISED***

Requires Michigan Office for New Americans to coordinate with the three ethnic affairs commissions to produce a report detailing the commissions' activities. Executive makes minor revisions. House revises to include data on number of persons the commissions assisted with hurdles the commissions have identified and to include attendance figures for commission events.

### ***Sec. 806. Michigan Office for New Americans Report – NEW***

Requires the Michigan Office for New Americans to report on education and workforce training programs that the office has held, statistics on how many people the office has assisted in navigating the immigration system, and a description of activities for talent attraction and retention. Executive does not include. House includes.

### ***Sec. 904. Michigan Indigent Defense Commission Standards Compliance – RETAINED***

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. Executive deletes. House retains.

### ***Sec. 1001. Marihuana Educational Materials – NEW***

Requires the Bureau of Marihuana Regulation to use funds appropriated in part 1 to produce and distribute materials to inform children and young adults of risk associated with marihuana use. Executive does not include. House includes.