

FY 2019-20: DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS

Summary: House Subcommittee Chair's Recommendation House Bill 4239 (H-1)



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	%
IDG/IDT	\$48,414,300	\$49,014,200	\$48,496,100			\$81,800	0.2
Federal	91,213,900	95,852,500	95,210,100			3,996,200	4.4
Local	300,000	100,000	100,000			(200,000)	(66.7)
Private	111,800	251,800	251,800			140,000	125.2
Restricted	276,471,400	303,125,900	295,188,500			18,717,100	6.8
GF/GP	135,845,300	124,268,100	123,228,000			(12,617,300)	(9.3)
Gross	\$552,356,700	\$572,612,500	\$562,474,500			\$10,117,800	1.8
FTEs	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).

Major Budget Changes From FY 2018-19 YTD Appropriations

1. 2018 Initiated Law 1 – Veterans Treatment Research

Executive 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. House concurs.

	FY 2018-19 Year-to-Date (as of 3/5/19)	FY 2019-20 House Change
Gross	NA	\$20,000,000
Restricted	NA	20,000,000
GF/GP	NA	\$0

2. Recreational Marihuana Regulation

Executive 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. House concurs.

FTE	NA	30.0
Gross	NA	\$6,000,000
Restricted	NA	6,000,000
GF/GP	NA	\$0

3. Michigan Indigent Defense Commission Grants Reduction

Executive 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. House concurs.

Gross	\$86,850,100	(\$5,850,400)
Local	200,000	0
Restricted	100	0
GF/GP	\$86,650,000	(\$5,850,400)

		FY 2018-19 Year-to-Date (as of 3/5/19)	FY 2019-20 House Change
<u>Major Budget Changes From FY 2018-19 YTD Appropriations</u>			
4. <i>First Responder Presumed Coverage Fund Removal</i> <u>Executive</u>	Gross	\$5,445,000	(\$5,444,900)
removes \$5.4 million in First Responder Presumed Coverage Fund	Restricted	5,445,000	(5,445,000)
restricted funding from the First Responder Presumed Coverage Fund	GF/GP	\$0	\$100
Claims and Workers' Compensation Agency line items. The			
removal reflects the elimination of the 3% excise tax on medical			
marihuana 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. <u>House</u> concurs.			
5. <i>Office for New Americans – Unaccompanied Refugee Minors</i> <u>Executive</u>	Gross	NA	\$3,790,900
includes \$3.8 million in federal funding for the Michigan Office	Federal	NA	3,790,900
for New Americans to increase service capabilities of providers assisting	GF/GP	NA	\$0
unaccompanied refugee minors. Services offered by the providers			
include foster care, independent living, treatment, and residential			
placement. <u>House</u> concurs.			
6. <i>Medical Marihuana Right-Sizing</i> <u>Executive</u>	FTE	108.0	(13.0)
includes \$900,000 in restricted funding from the Marihuana	Gross	\$10,000,000	\$900,000
Regulatory Fund and a reduction of 13.0 FTE positions to align	Restricted	10,000,000	900,000
departmental resources with anticipated ongoing administrative,	GF/GP	\$0	\$0
licensing, and enforcement activities related to medical marihuana			
licensing and regulation. <u>House</u> concurs.			
7. <i>Refugee Services Database</i> <u>Executive</u>	Gross	NA	\$520,000
includes \$520,000 in federal funding for the Michigan Office	Federal	NA	520,000
for New Americans to develop a refugee services database that will be	GF/GP	NA	\$0
used for data monitoring to streamline federal grant reporting			
requirements. <u>House</u> concurs.			
8. <i>Bureau of Fire Services Awards</i> <u>Executive</u>	Gross	NA	\$500,000
increases federal funding for the Bureau of Fire Services	Federal	NA	500,000
by \$500,000 to recognize federal awards related to community	GF/GP	NA	\$0
risk reduction. <u>House</u> concurs.			
9. <i>Child Care Restricted Funding</i> <u>Executive</u>	Gross	NA	\$500,000
includes \$500,000 in restricted funding to recognize revenues	Restricted	NA	500,000
that are anticipated to be collected from child day care centers and child	GF/GP	NA	\$0
day care homes for licensing and regulation, pursuant to 2017 PA 258.			
<u>House</u> concurs.			
10. <i>Adult Foster Care Restricted Funding</i> <u>Executive</u>	Gross	NA	\$410,000
includes \$410,000 in restricted funding to recognize revenues	Restricted	NA	410,000
that are anticipated to be collected from adult foster care facilities for	GF/GP	NA	\$0
licensing and regulation, pursuant to 2018 PA 557. <u>House</u> concurs.			
11. <i>Firefighter Training Grants Enhancement</i> <u>Executive</u>	Gross	\$2,000,000	\$300,000
includes \$300,000 in restricted funding for enhancements to	Restricted	2,000,000	300,000
Firefighter Training Grants that would be disbursed on a county basis for	GF/GP	\$0	\$0
reimbursements for Michigan Firefighters' Training Council-approved			
courses related to mental health and community risk reduction. <u>House</u>			
concurr.			
12. <i>Bureau of Fire Services Testing Support</i> <u>Executive</u>	FTE	NA	1.0
includes \$289,900 in restricted funding and authorization for	Gross	NA	\$289,900
1.0 FTE position to implement new fire service testing requirements and	Restricted	NA	289,900
to conduct quality assurance audits on training coordinators, in	GF/GP	NA	\$0
accordance with 2017 PA 144. <u>House</u> concurs.			

Major Budget Changes From FY 2018-19 YTD Appropriations		FY 2018-19 Year-to-Date (as of 3/5/19)	FY 2019-20 House Change
13. Michigan Indigent Defense Commission Statewide Training			
<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
	Gross	\$2,420,700	\$0
	GF/GP	\$2,420,700	\$0
14. Light-Duty Zero Emission Vehicle Supply Equipment Program			
<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
	Gross	NA	\$140,000
	Private	NA	140,000
	GF/GP	NA	\$0
15. Marihuana Education			
<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.	Gross	NA	\$10,000
	Restricted	NA	10,000
	GF/GP	NA	\$0
16. Technical Adjustments			
<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.	Gross	NA	(\$7,088,200)
	Federal	NA	(952,400)
	Local	NA	(200,000)
	Restricted	NA	439,200
	GF/GP	NA	(\$6,375,000)
17. Economic Adjustments			
<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.	Gross	NA	\$5,083,400
	IDG/IDT	NA	599,900
	Federal	NA	780,100
	Restricted	NA	3,260,400
	GF/GP	NA	\$443,000
18. Administrative Efficiencies			
<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.	Gross	NA	(\$4,354,600)
	IDG/IDT	NA	(518,100)
	Federal	NA	(642,400)
	Restricted	NA	(2,714,700)
	GF/GP	NA	(\$479,400)
19. Information Technology Reduction			
<u>House</u> reduces funding available for information technology services and projects by \$5.6 million Gross (\$355,600 GF/GP).	Gross	\$21,815,300	(\$5,588,300)
	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. 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.

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 technical 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.

Major Boilerplate Changes From FY 2018-19

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.