

FY 2019-20: DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS

Summary: As Passed by the Senate Senate Bill 143 (S-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: Senate From FY 2018-19 YTD | |
|-------------------|--------------------------------|-------------------------|----------------------|----------------------|-----------------------|---|------------|
| | | | | | | Amount | % |
| IDG/IDT | \$48,414,300 | \$49,014,200 | \$48,496,100 | \$49,014,200 | | \$599,900 | 1.2 |
| Federal | 91,213,900 | 95,852,500 | 95,210,100 | 95,852,500 | | 4,638,600 | 5.1 |
| Local | 300,000 | 100,000 | 100,000 | 100,000 | | (200,000) | (66.7) |
| Private | 111,800 | 251,800 | 251,800 | 251,800 | | 140,000 | 125.2 |
| Restricted | 276,471,400 | 303,125,900 | 295,188,500 | 303,125,900 | | 26,654,500 | 9.6 |
| GF/GP | 135,845,300 | 124,268,100 | 123,228,000 | 123,520,440 | | (12,324,860) | (9.1) |
| Gross | \$552,356,700 | \$572,612,500 | \$562,474,500 | \$571,864,840 | | \$19,508,140 | 3.5 |
| FTEs | 2,384.8 | 2,404.8 | 2,403.8 | 2,403.8 | | 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 and Senate concur with the Executive.

| | FY 2018-19 Year-to-Date (as of 3/5/19) | FY 2019-20 Senate 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 and Senate concur with the Executive.

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

| Major Budget Changes From FY 2018-19 YTD Appropriations | | FY 2018-19 Year-to-Date (as of 3/5/19) | FY 2019-20 Senate Change | |
|---|--------------|--|--------------------------------|----------------------|
| 3. Michigan Indigent Defense Commission Grants Reduction | | Gross | \$86,850,100 | (\$5,850,400) |
| <u>Executive</u> 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> and <u>Senate</u> concur with the Executive. | Local | 200,000 | 0 | |
| | Restricted | 100 | 0 | |
| | GF/GP | \$86,650,000 | (\$5,850,400) | |
| 4. First Responder Presumed Coverage Fund Removal | | Gross | \$5,445,000 | (\$5,445,000) |
| <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 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>Senate</u> concurs with the Executive. | Restricted | 5,445,000 | (5,445,000) | |
| | GF/GP | \$0 | \$0 | |
| | | | | |
| 5. Office for New Americans – Unaccompanied Refugee Minors | | Gross | NA | \$3,790,900 |
| <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> and <u>Senate</u> concur with the Executive. | Federal | NA | 3,790,900 | |
| | GF/GP | NA | \$0 | |
| | | | | |
| 6. Medical Marihuana Right-Sizing | | FTE | 108.0 | (13.0) |
| <u>Executive</u> includes \$900,000 in restricted funding from the Marihuana 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 marihuana licensing and regulation. <u>House</u> and <u>Senate</u> concur with the Executive. | Gross | \$10,000,000 | \$900,000 | |
| | Restricted | 10,000,000 | 900,000 | |
| | GF/GP | \$0 | \$0 | |
| 7. Refugee Services Database | | Gross | NA | \$520,000 |
| <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> and <u>Senate</u> concur with the Executive. | Federal | NA | 520,000 | |
| | GF/GP | NA | \$0 | |
| | | | | |
| 8. Bureau of Fire Services Awards | | Gross | NA | \$500,000 |
| <u>Executive</u> increases federal funding for the Bureau of Fire Services by \$500,000 to recognize federal awards related to community risk reduction. <u>House</u> and <u>Senate</u> concur with the Executive. | Federal | NA | 500,000 | |
| | GF/GP | NA | \$0 | |
| | | | | |
| 9. Child Care Restricted Funding | | Gross | NA | \$500,000 |
| <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> and <u>Senate</u> concur with the Executive. | Restricted | NA | 500,000 | |
| | GF/GP | NA | \$0 | |
| | | | | |
| 10. Adult Foster Care Restricted Funding | | Gross | NA | \$410,000 |
| <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> and <u>Senate</u> concur with the Executive. | Restricted | NA | 410,000 | |
| | GF/GP | NA | \$0 | |
| | | | | |

| Major Budget Changes From FY 2018-19 YTD Appropriations | | FY 2018-19 Year-to-Date (as of 3/5/19) | FY 2019-20 Senate Change |
|--|--------------|---|---|
| 11. Firefighter Training Grants Enhancement | | Gross | \$2,000,000 |
| <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> and <u>Senate</u> concur with the Executive. | Restricted | 2,000,000 | 300,000 |
| | GF/GP | \$0 | \$0 |
| 12. Bureau of Fire Services Testing Support | | 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> and <u>Senate</u> concur with the Executive. | Gross | NA | \$289,900 |
| | Restricted | NA | 289,900 |
| | GF/GP | NA | \$0 |
| 13. Michigan Indigent Defense Commission Statewide Training | | FTE | 16.0 |
| <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. <u>Senate</u> concurs with the Executive. | Gross | \$2,420,700 | \$205,200 |
| | GF/GP | \$2,420,700 | \$205,200 |
| 14. Light-Duty Zero Emission Vehicle Supply Equipment Program | | FTE | NA |
| <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> and <u>Senate</u> concur with the Executive. | Gross | NA | \$140,000 |
| | Private | NA | 140,000 |
| | GF/GP | NA | \$0 |
| | | | |
| 15. Marihuana Education | | Gross | NA |
| <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. <u>Senate</u> does not include. | Restricted | NA | 0 |
| | GF/GP | NA | \$0 |
| 16. Technical Adjustments | | FTE | NA |
| <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. <u>Senate</u> concurs and also reduces Wage and Hour Program FTE authorization by 3.0 positions and increases Liquor Licensing and Enforcement and Management Support Services FTE authorization by 1.0 position. | Gross | NA | (1.0) |
| | Federal | NA | NA |
| | Local | NA | NA |
| | Restricted | NA | NA |
| | GF/GP | NA | NA |
| | | | |
| 17. Economic Adjustments | | Gross | NA |
| <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> and <u>Senate</u> concur with the Executive. | IDG/IDT | NA | NA |
| | Federal | NA | NA |
| | Restricted | NA | NA |
| | GF/GP | NA | NA |
| | | | |
| 18. Senate Line Item GF/GP Reductions | | Gross | NA |
| <u>Senate</u> reduces GF/GP funding in 15 separate line items by approximately \$747,700. | GF/GP | NA | NA |

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|--|--------------|---|---|
| 19. Administrative Efficiencies | Gross | NA | \$0 |
| <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. <u>Senate</u> does not include. | IDG/IDT | NA | 0 |
| | Federal | NA | 0 |
| | Restricted | NA | 0 |
| | GF/GP | NA | \$0 |
| 20. Information Technology Reduction | Gross | \$21,815,300 | \$0 |
| <u>House</u> reduces funding available for information technology services and projects by \$5.6 million Gross (\$355,600 GF/GP). <u>Senate</u> does not include. | Federal | 2,728,300 | 0 |
| | Restricted | 17,664,500 | 0 |
| | GF/GP | \$1,422,500 | \$0 |

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 and Senate retain current law.

Sec. 210. Contingency Funding – DELETED

Appropriates federal, state restricted, local, and private contingency funds of up to \$36.5 million total, available for expenditure when transferred to a line item through the legislative transfer process. Executive and House retain current law. Senate deletes.

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 and Senate retain current law.

Sec. 219. Television and Radio Productions – RETAINED

Prohibits LARA from developing or producing television or radio productions. Executive and House delete. 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 an accounting structure within the state's accounting system that facilitates the identification of expenditures associated with the Healthy Michigan Plan. Executive deletes. House and Senate retain current law.

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 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. Senate retains current law.

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 and Senate retain current law.

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, House, and Senate delete.

Sec. 505. Medical Marijuana Program Report – REVISED

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. Senate revises to replace full appropriations committees with the subcommittees as report recipients.

Major Boilerplate Changes From FY 2018-19

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; requires the department to report these collections to the fiscal agencies. Executive and House delete. Senate retains current law.

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 and Senate retain current law.

Sec. 512. Medical Marihuana Facilities Licensing and Tracking Report – REVISED

Requires that LARA submit a report providing information regarding licensing under and revenues from the Medical Marihuana 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 Marihuana Act in the report and to include data on license renewals. Senate revises to include subcommittees rather than full appropriations committees as report recipients

Sec. 513. Medical Marihuana Community Impact Statements – NOT INCLUDED

House includes language requiring LARA to submit a report on the addresses of facilities licensed under the Medical Marihuana 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. Senate does not include.

Sec. 514. Medical Marihuana Local Construction Labor – NOT INCLUDED

House stipulates legislative intent that LARA encourage medical marihuana facilities to use local construction workers on any projects. Senate does not include.

Sec. 515. Occupational Regulation Complaints Reports – NOT INCLUDED

House includes new language requiring bureaus in the occupational regulation appropriation unit to submit reports regarding complaints received; establishes requirements for report contents. Senate does not include.

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 and Senate retain current law.

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

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 current law. Senate deletes.

Sec. 705. First Responder Presumed Coverage Work Project Usage – NOT INCLUDED

House stipulates legislative intent that funds that have received work project status for First Responder Presumed Coverage Claims must be used to pay approved claims until additional funding is made available. Senate does not include.

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, House, and Senate delete.

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. Senate makes technical revisions.

Sec. 806. Michigan Office for New Americans Report – NOT INCLUDED

House includes language requiring 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. Senate does not include.

Major Boilerplate Changes From FY 2018-19

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. Executive deletes. House retains current law. Senate deletes.

Sec. 1001. Marihuana Educational Materials – NOT INCLUDED

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. Senate does not include.