

**FY 2019-20: DEPARTMENT OF LICENSING AND
REGULATORY AFFAIRS**
Summary: Conference Report
House Bill 4239 (H-3) CR-1



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	FY 2018-19 YTD as of 3/5/19	FY 2019-20 Executive	FY 2019-20 House	FY 2019-20 Senate	FY 2019-20 Conference	<i>Difference: Conference From FY 2018-19 YTD</i>	
						<i>Amount</i>	<i>%</i>
IDG/IDT	\$48,414,300	\$49,014,200	\$48,496,100	\$49,014,200	\$49,014,200	\$599,900	1.2
Federal	91,213,900	91,988,300	95,210,100	95,852,500	91,988,300	774,400	0.8
Local	300,000	100,000	100,000	100,000	100,000	(200,000)	(66.7)
Private	111,800	111,800	251,800	251,800	111,800	0	0.0
Restricted	276,471,400	300,439,000	295,188,500	303,125,900	301,049,000	24,577,600	8.9
GF/GP	135,845,300	124,355,700	123,228,000	123,520,440	\$124,030,700	(11,814,600)	(8.7)
Gross	\$552,356,700	\$566,009,000	\$562,474,500	\$571,864,840	\$566,294,000	\$13,937,300	2.5
FTEs	2,384.8	2,387.8	2,403.8	2,403.8	2,385.8	1.0	0.0

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 the Michigan Regulation and Taxation of Marihuana Act (2018 IL 1). House and Senate concur with the Executive. Conference concurs with the Executive.

	FY 2018-19 Year-to-Date (as of 3/5/19)	FY 2019-20 Conference 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 IL 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. Conference concurs 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 Conference 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. <u>Conference</u> concurs 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	(\$5,195,000)
<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. <u>Conference</u> concurs with the removal of First Responder Presumed Coverage Fund funding, but includes \$250,000 GF/GP for the payment of claims.	Restricted	5,445,000	(5,445,000)	
	GF/GP	\$0	\$250,000	
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. <u>Conference</u> concurs 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. <u>Conference</u> concurs with the Executive.	Gross	\$10,000,000	\$900,000	
	Restricted	10,000,000	900,000	
	GF/GP	\$0	\$0	
7. Urban Search and Rescue		Gross	NA	\$600,000
<u>Conference</u> includes \$600,000 in restricted funding from Corporation Fees to support Urban Search and Rescue.	Restricted	NA	600,000	
	GF/GP	NA	\$0	
8. 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. <u>Conference</u> concurs with the Executive.	Federal	NA	520,000	
	GF/GP	NA	\$0	
9. 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. <u>Conference</u> concurs with the Executive.	Federal	NA	500,000	
	GF/GP	NA	\$0	
10. 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. <u>Conference</u> concurs with the Executive.	Restricted	NA	500,000	
	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 Conference Change
11. Adult Foster Care Restricted Funding		Gross	NA
<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. <u>Conference</u> concurs with the Executive.		Restricted	NA
		GF/GP	NA
			\$0
12. 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. <u>Conference</u> concurs with the Executive.		Restricted	2,000,000
		GF/GP	\$0
			\$0
13. 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. <u>Conference</u> concurs with the Executive.		Gross	NA
		Restricted	NA
		GF/GP	NA
			\$0
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. <u>Conference</u> concurs with the Executive.		Gross	NA
		Private	NA
		GF/GP	NA
			\$0
15. Bureau of Fire Services Increase		Gross	NA
<u>Conference</u> includes an additional \$20,000 GF/GP for the Bureau of Fire Services line item.		GF/GP	NA
			\$20,000
16. 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. <u>Conference</u> does not include funding or FTE authorization.		Gross	\$2,420,700
		GF/GP	\$2,420,700
			\$0
17. 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. <u>Conference</u> includes.		Restricted	NA
		GF/GP	NA
			\$0
18. Executive Revision 2020-1		FTE	NA
<u>Conference</u> reflects changes included in ER 2020-1, including internal net-zero restructuring of a Marijuana Regulatory Agency FTE and restructuring of the Michigan Unarmed Combat Commission; the transfer of Michigan Agency for Energy funding to the Department of Environment, Great Lakes, and Energy; and the receipt of funding and FTE authorization for the transfer of the Office of Regulatory Reinvention.		Gross	NA
		Federal	NA
		Private	NA
		Restricted	NA
		GF/GP	NA
			(17.0)
			(\$6,603,500)
			(3,864,200)
			(140,000)
			(2,686,900)
			\$87,600

		FY 2018-19 Year-to-Date (as of 3/5/19)	FY 2019-20 Conference Change
<u>Major Budget Changes From FY 2018-19 YTD Appropriations</u>			
19. Technical Adjustments	FTE	NA	(1.0)
<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 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. <u>Conference</u> concurs, but does not include line consolidations, unrolls the Bureau of Community and Health Systems line item, and includes the Senate's FTE adjustment.	Gross	NA	(\$7,088,200)
	Federal	NA	(952,400)
	Local	NA	(200,000)
	Restricted	NA	439,200
	GF/GP	NA	(\$6,375,000)
20. Economic Adjustments	Gross	NA	\$5,083,400
<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. <u>Conference</u> concurs with the Executive.	IDG/IDT	NA	599,900
	Federal	NA	780,100
	Restricted	NA	3,260,400
	GF/GP	NA	\$443,000
21. Administrative Efficiencies	Gross	NA	(\$293,100)
<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> reduces GF/GP funding in 15 separate lines by approximately \$747,700. <u>Conference</u> includes GF/GP reductions of \$293,100 from 7 separate line items.	IDG/IDT	NA	0
	Federal	NA	0
	Restricted	NA	0
	GF/GP	NA	(\$293,100)
22. Information Technology Reduction	Gross	\$21,815,300	(\$96,700)
<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. <u>Conference</u> reduces IT funding by \$96,700 GF/GP.	Federal	2,728,300	0
	Restricted	17,664,500	0
	GF/GP	\$1,422,500	(\$96,700)

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. Conference retains.

Sec. 210. Contingency Funding – REVISED

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. Conference reduces contingency funding to \$1.0 million federal, \$1.5 million state restricted, \$200,000 local, and \$100,000 private.

Sec. 216. Communication with the Legislature – RETAINED

Prohibits LARA from taking disciplinary action against an employee for communicating with a member of the legislature or his or her staff. Executive deletes. House and Senate retain. Conference retains.

Sec. 217. Television and Radio Productions – REVISED

Prohibits LARA from developing or producing television or radio productions. Executive and House delete. Senate retains. Conference revises to only prohibit contracting with third-party vendors for the production of television and radio productions.

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. Conference retains.

Major Boilerplate Changes From FY 2018-19

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 Marihuana Regulation as a reporting entity and to require information for the three previous fiscal years. Senate retains. Conference revises to include the Marijuana Regulatory Agency 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 and Senate retain. Conference 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, House, and Senate delete. Conference deletes.

Sec. 505. Medical Marihuana Program Report – RETAINED

Requires LARA to submit a report on revenue, expenditures, application determinations, and timeliness of the Medical Marihuana 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. Conference 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 and House delete. Senate retains. Conference 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 and Senate retain. Conference retains.

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 2018 IL in the report and to include data on license renewals. Senate revises to include subcommittees rather than full appropriations committees as report recipients. Conference revises to include the Michigan Regulation and Taxation of Marihuana Act in the report and to include data on license renewals.

Sec. 513. Medical Marihuana Community Impact Statements – NEW

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. Conference includes language requiring LARA to submit a report on the addresses of facilities licensed under the Medical Marihuana Facilities Licensing Act and the Michigan Regulation and Taxation of Marihuana Act; requires LARA to work with local units, upon written request, 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.

Sec. 514. Occupational Regulation Complaints Reports – NEW

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

Sec. 515. Substance Abuse Treatment Licensure Activities – NEW

Conference stipulates requirements that substance use disorder programs must meet in order to be licensed.

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. Conference retains.

Major Boilerplate Changes From FY 2018-19

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. Senate deletes. Conference 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 and requires a report on metrics. Executive, House, and Senate delete. Conference 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. Senate makes technical revisions. Conference includes the House's revisions and rennumbers as Sec. 803.

Sec. 805. Michigan Office for New Americans Report – NEW

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. Conference includes.

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

Stipulates that 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. Senate deletes. Conference retains.

Sec. 1001. Marihuana Educational Materials – NEW

House includes language requiring the Marijuana Regulatory Agency to use funds appropriated in part 1 to produce and distribute materials to inform children and young adults of risks associated with marihuana use. Senate does not include. Conference includes.