

**Summary: Executive Budget Recommendation
for Fiscal Year 2024-25
LICENSING AND REGULATORY AFFAIRS**



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	FY 2023-24	FY 2024-25	Difference: FY 2024-25	
	Enacted as of 2/7/24	Executive	Amount	%
IDG/IDT	\$46,897,200	\$27,682,800	(\$19,214,400)	(41.0)
Federal	50,004,200	30,471,300	(19,532,900)	(39.1)
Local	0	0	0	--
Private	0	0	0	--
Restricted	259,708,400	280,707,400	20,999,000	8.1
GF/GP	271,331,100	296,605,700	25,274,600	9.3
Gross	\$627,940,900	\$635,467,200	\$7,526,300	1.2
FTEs	1,893.9	1,818.0	(75.9)	(4.0)

Note: Appropriation figures for FY 2024-25 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 entity. 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 cannabis. Units 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 2023-24 Enacted Appropriations

1. Michigan Indigent Defense Commission (MIDC) Grants

Includes \$37.4 million GF/GP to support grant distributions to district and circuit court funding units to fund the state's projected share of FY 2024-25 costs associated with MIDC standards 1-8 and the indigency standard. Of the total, \$24.6 million is included for compliance with standards 1, 2, 3, 4, 5, and 8, which pertain to the education and training of defense counsel, timing and location of attorney-client interviews, defense investigations and experts, presence of counsel at first appearance and other trial stages, independence of indigent criminal defense services from the judiciary, and attorney compensation, contracting, and payments; \$12.9 million is included for costs incurred for compliance with MIDC standards 6 and 7, which pertain to indigent defense workloads and attorney qualification and review.

	FY 2023-24 Enacted (as of 2/7/24)	Executive Change from Enacted
Gross	\$220,917,400	\$37,427,900
Restricted	300,000	0
GF/GP	\$220,617,400	\$37,427,900

2. Executive Order 2023-6 Implementation

Reflects the removal of \$25.6 million Gross (\$4.4 million GF/GP) and 147.0 FTE positions to effectuate the reorganization of various childcare and educational functions within the Department of Lifelong Education, Advancement, and Potential, required under EO 2023-6. This adjustment would result in the complete removal of functions related to childcare and camps licensing from LARA.

FTE	NA	(147.0)
Gross	NA	(\$25,586,500)
IDG/IDT	NA	(20,653,100)
Restricted	NA	(544,600)
GF/GP	NA	(\$4,388,800)

Major Budget Changes from FY 2023-24 Enacted Appropriations	FY 2023-24 Enacted (as of 2/7/24)	Executive Change from Enacted
3. Clean Energy Implementation	FTE NA	31.0
Includes \$5.8 million of state restricted funding authorization from Public Utility Assessments and authorization for 31.0 FTE positions to support the implementation and administration of responsibilities under 2023 PAs 229, 231, 233, 234, and 235, colloquially referred to as the "clean energy package". Funding would be utilized to support staffing costs within the Public Service Commission (PSC), Michigan Office of Administrative Hearings and Rules, and Administrative Services line items. Departmental responsibilities under the acts include reviewing renewable energy plans, expanding reviews of Integrated Resource Plan and Energy Waste Reduction filings, and PSC oversight of renewable energy facility siting.	Gross NA	\$5,822,700
	Restricted NA	5,822,700
	GF/GP NA	\$0
4. Elevator Inspections	FTE NA	10.0
Includes \$4.4 million of state restricted funding authorization from Elevator Fees and authorization for 10.0 FTE positions to hire additional elevator inspectors within the Bureau of Construction Codes to address significant inspection backlogs. Additional funding is available because of administrative rule changes that increased certain elevator fees effective June 2023.	Gross NA	\$4,400,000
	Restricted NA	4,400,000
	GF/GP NA	\$0
5. Cannabis Regulatory Agency (CRA)	FTE 173.0	9.0
Includes \$3.4 million of additional state restricted funding authorization from marihuana funds and authorization for 9.0 FTEs to hire additional CRA staff and to support the statewide marihuana monitoring system, which tracks marihuana inventory and sales. Approximately \$2.0 million of the increase would be allocated for costs associated with the monitoring system; this increase would allow for the elimination of monthly user license fees which currently support the system. The remaining \$1.4 million would be allocated for increased staffing. Additional staff would include 4.0 positions within the Legal Section, 2.0 positions within the License Maintenance Section, 1.0 auditor within the Financial Compliance Section, and 2.0 fire inspectors.	Gross \$28,004,600	\$3,448,500
	Restricted 28,004,600	3,448,500
	GF/GP \$0	\$0
6. Cannabis Regulatory Agency – Attorney General	Gross NA	\$2,049,600
Includes \$2.0 million of state restricted funding authorization from marihuana funds to support costs incurred by the Department of Attorney General for increased enforcement activities conducted in the cannabis sector.	Restricted NA	2,049,600
	GF/GP NA	\$0
7. Nursing Home Surveys and Investigations	FTE NA	12.0
Includes \$1.9 million GF/GP and authorization for 12.0 FTE positions to hire additional staff to offset increased workloads associated with health and long-term care facilities and to conduct surveys and investigations of nursing homes. The increased staffing would assist with federal performance measure compliance.	Gross NA	\$1,855,000
	GF/GP NA	\$1,855,000
8. Bureau of Professional Licensing (BPL) Authorization Increase	FTE 202.0	0.0
Includes an additional \$1.5 million of state restricted funding authorization from 4 separate funds for the BPL line item. This authorization increase would allow LARA to properly align staff with the relevant fund to support the specific work being completed. This alignment would assist the department with auditing and would prevent expenditures from funds with insufficient revenue.	Gross \$40,966,500	\$1,500,000
	Restricted 40,587,800	1,500,000
	GF/GP \$378,700	\$0
9. Bureau of Construction Codes (BCC) Authorization Increase	FTE 172.0	2.0
Includes \$1.5 million of state restricted funding authorization from the Construction Code Fund and authorization for 2.0 FTE positions to hire additional regulation agents within the BCC to address a backlog of builder-related complaints.	Gross \$26,634,900	\$1,486,300
	Restricted 25,335,600	1,486,300
	GF/GP \$1,299,300	\$0

Major Budget Changes from FY 2023-24 Enacted Appropriations		FY 2023-24 Enacted (as of 2/7/24)	Executive Change from Enacted	
10. Utility Consumer Representation		Gross	\$850,000	\$1,250,000
Includes an additional \$1.3 million in state restricted funding authorization from the Utility Consumer Representation Fund for Utility Consumer Representation to reflect base contribution adjustments that were made via 2023 PA 231. These adjustments increase the amount available from the fund. The increase would bring total funding for Utility Consumer Representation to \$2.1 million, which supports grants administered by the Utility Consumer Participation Board and awarded to nonprofit organizations and local units of government (upon application and approval) for representation and advancement of residential utility customers' interests in administrative and judicial proceedings.		Restricted	850,000	1,250,000
		GF/GP	\$0	\$0
11. Medication Aide Program Implementation		FTE	NA	7.0
Includes \$1.1 million of state restricted funding authorization from the Nurse Aide and Medication Aide Registration Fund and authorization for 7.0 FTE positions to hire additional staff to administer medication aide training and certification requirements created by 2023 PA 273. Funding would also be used to develop and implement a medication aide training curriculum, testing requirements, and to improve regulatory compliance.		Gross	NA	\$1,062,200
		Restricted	NA	1,062,200
		GF/GP	NA	\$0
12. PSC 5-Year Energy Waste Reduction and Demand Response Study		Gross	\$0	\$1,000,000
Includes \$1.0 million of state restricted funding authorization to support consulting services that would be necessary for PSC to fulfill a requirement for 5-year studies on statewide energy waste reduction and demand response potential. The requirement for studies is established within 2016 PA 341.		Restricted	0	1,000,000
		GF/GP	\$0	\$0
13. Sign Language Qualified Interpreters		Gross	NA	\$800,000
Includes \$800,000 GF/GP to support the Qualified Interpreter Program (QIP) within the Bureau of Community and Health Systems. The QIP is responsible for certifying, credentialing, and endorsing qualified American Sign Language (ASL) interpreters. The funding would support 3.0 new full-time staff positions, updates to database systems, and evaluation of testing methodologies for ASL interpreters.		GF/GP	NA	\$800,000
14. PSC Authorization Increase		FTE	195.0	0.0
Includes \$562,600 of additional state restricted funding authorization from Public Utility Assessments to allow the PSC to hire personnel to fill currently vacant FTE positions. The FTEs would assist with the PSC's call center and customer outreach activities. PSC activity levels are expected to increase due to statutory changes and new programs that the PSC is responsible for implementing and administering, including changes made under the clean energy package and a FY 2023-24 grant program.		Gross	\$34,941,000	\$562,600
		Federal	3,078,600	0
		Restricted	31,862,400	562,600
		GF/GP	\$0	\$0
15. Corporations, Securities, and Commercial Licensing Bureau (CSCLB) Authorization Increase		FTE	109.0	0.0
Includes an additional \$550,000 of state restricted funding authorization from Corporation Fees to allow the CSCLB to fill vacant FTE positions and to reinstate senior-level positions. These positions would be used to address increased work volumes resulting from growth in the number of active business entities regulated by the CSCLB.		Gross	\$15,854,400	\$550,000
		Restricted	15,854,400	550,000
		GF/GP	\$0	\$0

Major Budget Changes from FY 2023-24 Enacted Appropriations		FY 2023-24 Enacted (as of 2/7/24)	Executive Change from Enacted
16. Consultation, Education, and Performance Office		Gross	\$0
Includes \$400,000 of additional state restricted funding authorization from 6 fund sources to support the creation of a Consultation, Education, and Performance Office within the department. This office would provide educational outreach and consultation to licensees and stakeholders, consolidate educational resources, and promote careers in the professions that LARA regulates.		Restricted	0
		GF/GP	\$0
17. Michigan Office of Administrative Hearings and Rules IDG Increase		FTE	194.0
		Gross	\$38,840,500
Includes a \$385,000 increase from IDG/IDT authorization for the MOAHR line item to reflect an increased IDG amount from the Michigan Department of Corrections (MDOC) for administrative hearings administered on behalf of MDOC.		IDG/IDT	26,671,100
		Restricted	11,478,700
		GF/GP	\$690,700
18. PSC IT Systems		Gross	NA
Includes \$261,000 of additional state restricted funding authorization from Public Utility Assessments to support the gas safety data management system and the geospatial data system, which are both utilized by the PSC. The gas safety data management system contains thousands of records and supports numerous programs within PSC's Gas Safety and Operations Division through tracking, monitoring and report generation functionalities. Funding for the geospatial data system would be used to expand current energy system geospatial data collection.		Restricted	NA
		GF/GP	NA
19. Implicit Bias Study (One-Time)		Gross	\$0
Includes \$250,000 of state restricted funding authorization from the Health Professions Regulatory Fund to allow LARA to collaborate with an external research entity to evaluate the effect of required implicit bias training for health professionals on access to and delivery of health care services.		Restricted	0
		GF/GP	\$0
20. IT Software Licensing		Gross	NA
Includes an additional \$100,000 of state restricted funding authorization from 3 fund sources to support the department's share of a contract increase with the Microsoft corporation.		Restricted	NA
		GF/GP	NA
21. FTE Authorization Increases		FTE	234.9
Increases authorization in the Bureau of Fire Services (BFS) and Bureau of Survey and Certification (BSC) line items by 2.1 FTE positions. The additional authorization for the BFS would be utilized to fill an IT specialist position to work on geographic information systems and a departmental analyst position to coordinate external events and control inventory. The 0.1 FTE position for the BSC would allow the department to maximize the use of a fractional FTE position that is currently appropriated.			2.1
22. Technical Adjustments		FTE	NA
Includes internal FTE adjustments, funding adjustments, and transfers throughout the budget, which have no overall impact on Gross, GF/GP, or FTE position authorization. Adjustments are made to reflect employee counts more accurately and to align funding authorization with revenue received and department operations and activities. Also includes the consolidation of 2 separate line items that support Michigan Liquor Control Commission activities into a single line item.		Gross	NA
		Restricted	NA
		GF/GP	NA

Major Budget Changes from FY 2023-24 Enacted Appropriations	FY 2023-24 Enacted (as of 2/7/24)	Executive Change from Enacted
23. Removal of FY 2023-24 One-Time Appropriations	FTE	2.0 (2.0)
Removes \$37.9 million Gross (\$11.4 million GF/GP) of one-time funding that was included in the FY 2023-24 budget to support the following:	Gross	\$37,850,000 (\$37,850,000)
<ul style="list-style-type: none"> BFS – Smoke Detectors (\$1.0 million Gross) Bureau of Survey and Certification (\$1.2 million Gross) CRA Reference Laboratory (\$2.8 million Gross) CRA Social Equity Program (\$1.0 million Gross) Child Care Licensing Bureau Background Check Program (\$200,000 Gross) Corporations Online Filing Modernization (\$2.7 million Gross) Michigan Saves (\$5.5 million Gross) Premanufactured Unit Plan Review Upgrades (\$350,000 Gross) Renewable Energy and Electrification Infrastructure Enhancement and Development (\$21.3 million Gross) Utility Consumer Representation Grants (\$1.8 million Gross) 	Federal	20,000,000 (20,000,000)
	Restricted	6,500,000 (6,500,000)
	GF/GP	\$11,350,000 (\$11,350,000)
24. Economic Adjustments	Gross	NA \$6,352,000
Reflects increased costs of \$6.4 million Gross (\$930,500 GF/GP) for negotiated salary and wage increases (5.0% on October 1, 2024), insurances, actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments.	IDG/IDT	NA 1,053,700
	Federal	NA 467,100
	Restricted	NA 3,900,700
	GF/GP	NA \$930,500

Major Boilerplate Changes from FY 2023-24

Sec. 207. Communication With the Legislature – DELETED

Prohibits LARA from taking disciplinary action against employees for communicating with legislators or their staff, unless the communication is prohibited by law. (Governor deemed this section unenforceable in FY 2023-24.)

Sec. 212. Transparency Website – DELETED

Requires LARA to cooperate with DTMB to maintain a searchable website accessible by the public at no cost that includes information on expenditures, vendor payments, number of active employees, job specifications, and wage rates.

Sec. 213. State Restricted Funds Report – DELETED

Requires LARA to work with SBO to report on estimated restricted fund revenues, expenditures, and balances for the prior two fiscal years.

Sec. 214. Department Website Information – DELETED

Requires LARA to maintain, on a publicly accessible website, information that identifies, tracks, and regularly updates key metrics used to monitor and improve department performance.

Sec. 216. FTE Positions and Vacancies Reports – REVISED

Requires LARA to submit quarterly reports containing FTE volumes and a comparison of actual and authorized FTE position counts. Revises to delete reporting on FTE volumes.

Sec. 217. Work Project Usage – DELETED

Stipulates that appropriations are not to be expended, if possible, until all existing work project authorization for the same purpose is exhausted. (Governor deemed this section unenforceable in FY 2023-24.)

Sec. 218. State Administrative Board Transfers – DELETED

Stipulates that the legislature may inter-transfer funds via concurrent resolution if the State Administrative Board transfers funds. (Governor deemed this section unenforceable in FY 2023-24.)

Sec. 219. Retention of Reports – DELETED

Requires LARA to receive and retain copies of all reports funded by the department's budget, while complying with federal and state guidelines for records retention.

Sec. 220. Report on Policy Changes for Public Act Implementation – DELETED

Requires LARA to report on policy changes made to implement public acts that took effect during the prior calendar year.

Major Boilerplate Changes from FY 2023-24

Sec. 221. Severance Pay Reporting – DELETED

Requires LARA to report any severance pay for a director or other high-ranking official not later than 14 days after a severance agreement is signed; requires report on total amount of severance pay remitted and number of LARA employees receiving severance pay in FY 2022-23.

Sec. 222. In-Person Work – DELETED

Expresses legislative intent that LARA maximize the efficiency of the state workforce and prioritize in-person work where possible, and post its in-person, remote, or hybrid work policy on its website.

Sec. 224. Increased Payment Options – DELETED

Authorizes LARA to receive payment for licenses, permits, and fees via credit card or other electronic payment means.

Sec. 226. Private Grant Funded Projects – REVISED

Authorizes appropriation of private grant revenues, subject to a limitation of \$4.0 million; requires report to subcommittees chairs within 10 days of receiving grants from private entities. Revises to eliminate the \$4.0 million cap.

Sec. 227. Informational, Training, and Special Events Revenue and Expenditures – REVISED

Authorizes LARA to charge registration fees for events sponsored by LARA; requires fees to reflect costs of sponsoring events; appropriates revenue generated by fees for sponsorship costs; authorizes excess revenue to be carried forward; limits appropriation to \$1.0 million. Revises to eliminate the \$1.0 million cap.

Sec. 231. Employee Performance Monitoring Process – DELETED

Expresses legislative intent that LARA establish a consistent employee performance monitoring process; requires report on planned or implemented changes to that process and the number of evaluations performed.

Sec. 232. Television and Radio Production Expenditure Report – DELETED

Requires LARA to report any expenditure of funds to a third-party vendor for television or radio productions; delineates information to be included.

Sec. 302. Public Service Commission Hearings – DELETED

Requires the PSC to conduct at least 1 public hearing in each of the 4 judicial districts described under section 302 of the Revised Judicature Act; requires any hearing conducted within district 4 to be conducted outside of Ingham County; requires the hearing to be conducted in Grand Rapids or Detroit for their respective district.

Sec. 401. Investigation of Direct Shipments of Wine and Report – REVISED

Requires MLCC to use funds appropriated from Direct Shipper Enforcement Fund, as required under Section 203(11) of the Michigan Liquor Control Code, 1998 PA 58, to investigate illegal direct shipments of wine; requires notice to be sent to entities found to have illegally shipped wine into the state; requires MLCC to submit report detailing activities to investigate illegal shipping of wine. Revises to delete language prioritizing enforcement on unlicensed out of state retailers and third-party marketers, to delete requirement for referral of unlicensed out of state retailers and third-party marketers to the attorney general, to delete items in the report, and to delete language requiring notice to out of state entities that illegally shipped wine into Michigan.

Sec. 507. Elevator Inspectors' Compensation – DELETED

Expresses intent of the legislature that at least \$900,000 be used by the BCC to cooperate with the Office of the State Employer, relevant collective bargaining units, and other stakeholders to increase compensation rates for elevator inspectors employed by LARA.

Sec. 508. Skilled Trades Inspectors' Compensation Market Analysis – DELETED

Allows LARA to cooperate with the Office of the State Employer, relevant collective bargaining units, and other stakeholders to conduct a market analysis of compensation rates for skilled trades inspectors employed by LARA, to identify any disparity in compensation between LARA-employed inspectors and inspectors employed by other governmental entities and in the private sector.

Sec. 802. Michigan Indigent Defense Commission Report on Incremental Costs – DELETED

Requires MIDC to submit report on incremental costs associated with standard development process, compliance plan process, and collection of data from all indigent defense systems and attorneys providing indigent defense.

Sec. 804. Michigan Indigent Defense Commission Adopted Standard Report – REVISED

Requires MIDC to provide notification within 7 days after the adoption of any new indigent defense standard; requires notification to include an estimated cost projection for funding the adopted standard. Revises to extend notification deadline from 7 days to 60 days.

Major Boilerplate Changes from FY 2023-24

Sec. 1001. Bureau of Fire Services – Smoke Detectors – DELETED

Requires BFS to purchase and distribute sealed-battery smoke detectors to Michigan residents and allows BFS to purchase smoke detectors with additional capabilities for individuals with physical or psychological conditions that require an accommodative technology; requires report on number of smoke detectors purchased, per-unit price, listing of all local units that received smoke detectors, and number distributed.

Sec. 1002. Cannabis Regulatory Agency Social Equity Program – DELETED

Lists the following goals that are to be pursued using social equity program one-time funds: encourage and increase participation in the social equity program, with particular focus on individuals from communities that have been disproportionately impacted by marihuana prohibition and enforcement; establish a minimum number of licensees that are participating in the program; consider the median income in designating disproportionately impacted communities.

Sec. 1003. Michigan Saves Appropriation Use – DELETED

Allows PSC to award a \$5.5 million grant to a nonprofit green bank to make loans more affordable for families, businesses, and public entities in Michigan; stipulates grant funds may be used for a loan loss reserve fund or similar financial instrument.

Sec. 1004. Premanufactured Unit Plan Review Upgrades – DELETED

Requires that BCC utilize appropriated funds to decrease the average length of time to process and review premanufactured unit plan submissions; requires biannual reports with metrics related to premanufactured unit plan submissions.

Sec. 1005. Renewable Energy and Electrification Infrastructure Enhancement and Development – DELETED

(1) Requires funding to be expended, aside from administration, only for grants to businesses, nonprofit organizations, and local government units for planning, developing, designing, acquiring, or constructing renewable energy and electrification infrastructure projects; (2) requires 25% of the total amount of funding for grants awarded for electric vehicle fast-charging infrastructure to be allocated for infrastructure that provides charging at a power level of 350 kW or less and 75% of the total to be allocated for infrastructure that provides charging at a power level of at least 350 kW; (3) requires PSC to develop guidelines and implement a grant application process within 6 months and requires prioritization for grants that meet the goals of the MI Healthy Climate Plan; (4) requires grant applicants to perform an impact study that provides sufficient detail to allow the proposed project to be evaluated; (5) establishes further requirements for grant applicants for renewable natural gas infrastructure projects; (6) provides a 45-day review period for affected entities to review and comment on an application and a 15-day period for an applicant to modify their initial proposal; (7) requires PSC to award grants to applicants who have met the grant criteria; (8) requires grant recipients to report to PSC on how the money was used within 30 days after a project's completion; (9) designates unexpended funding as a work project appropriation; (10) prohibits grant funding from being used to expand the use of conventional natural gas; (11) allows the PSC to expend up to \$500,000 for administration expenses; (12) defines "renewable energy and electrification infrastructure projects" and "renewable natural gas".

Supplemental Recommendations for FY 2023-24 Appropriations

**FY 2023-24
Recommendation**

1. Employee Lump Sum Payments

Includes \$511,200 GF/GP to cover costs of one-time lump sum payments for eligible state employees. The Civil Service Commission approved payments of \$2,250 for staff employed full-time as of December 23, 2023.

Gross	\$511,200
GF/GP	\$511,200