



Budget Briefing: Licensing and Regulatory Affairs

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Briefing Topics

- Funding Sources
- Appropriation Areas
- Major Budget Topics

Department of Licensing and Regulatory Affairs

The Department of Licensing and Regulatory Affairs (LARA) contains agencies and programs that regulate the following sectors:

- Alcoholic beverage distribution and sales
- Commercial and occupational activities
- Construction and fire safety
- Health care and human services
- Medical and adult-use marijuana and hemp
- Public utilities

Entities within LARA also conduct administrative hearings and rulemaking for state departments, support the Michigan Indigent Defense Commission and the Unarmed Combat Commission, and administer several grant programs.

Key Budget Terms

Fiscal Year: The state's fiscal year (FY) runs from October to September. FY 2022-23 is October 1, 2022 through September 30, 2023.

Appropriation: Authority to expend funds. An appropriation is not a mandate to spend. Constitutionally, state funds cannot be expended without an appropriation by the legislature.

Line Item: Specific appropriation amount that establishes spending authorization for a particular program or function in a budget bill.

Boilerplate: Specific language sections in a budget bill that direct, limit, or restrict line item expenditures, express legislative intent, and/or require reports.

Lapses: Appropriated amounts that are unspent or unobligated at the end of a fiscal year. Appropriations are automatically terminated at the end of a fiscal year unless designated as a multi-year work project under a statutory process. Lapsed funds are available for expenditure in the subsequent fiscal year.

Note: Unless otherwise indicated, historical budget figures in this presentation have not been adjusted for inflation.

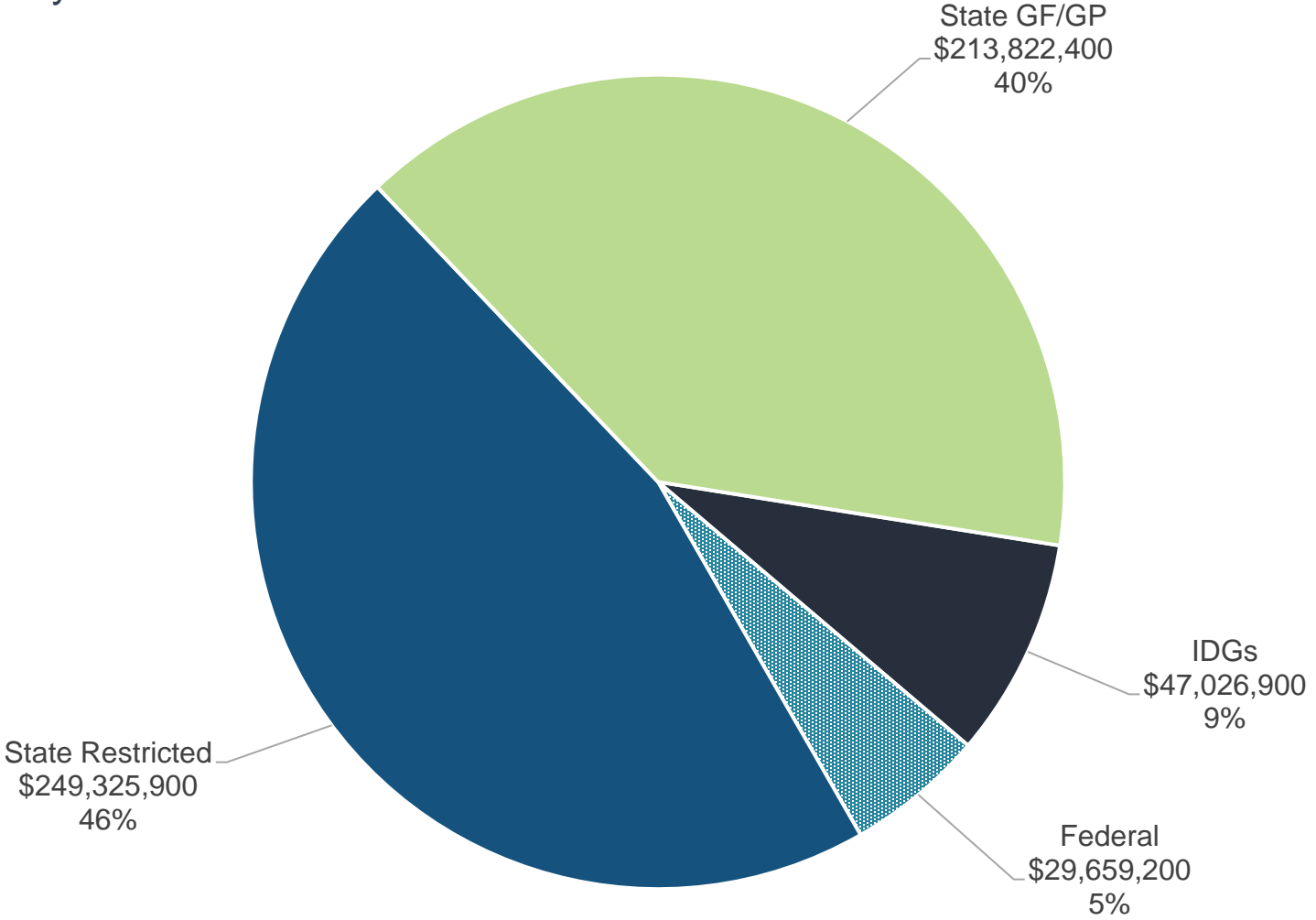
Funding Sources

FY 2022-23 LARA Budget

| Fund Source | Funding | Description |
|--|---------------|--|
| Gross Appropriations | \$539,834,400 | Total spending authority from all revenue sources |
| Interdepartmental Grants (IDG) Revenue | 47,026,900 | Funds received by one state department from another state department, usually for services provided |
| Adjusted Gross Appropriations | \$492,807,500 | Gross appropriations excluding IDGs; avoids double counting when adding appropriation amounts across budget areas |
| Federal Revenue | 29,659,200 | Federal grant or matching revenue; generally dedicated to specific programs or purposes |
| Local Revenue | 0 | Revenue received from local units of government for state services |
| Private Revenue | 0 | Revenue from individuals and private entities, including payments for services, grants, and other contributions |
| State Restricted Revenue | 249,325,900 | State revenue restricted by the State Constitution, state statute, or outside restriction that is available only for specified purposes; includes most fee revenue |
| State General Fund/General Purpose (GF/GP) Revenue | \$213,822,400 | Unrestricted revenue from taxes and other sources available to fund basic state programs and other purposes determined by the legislature |

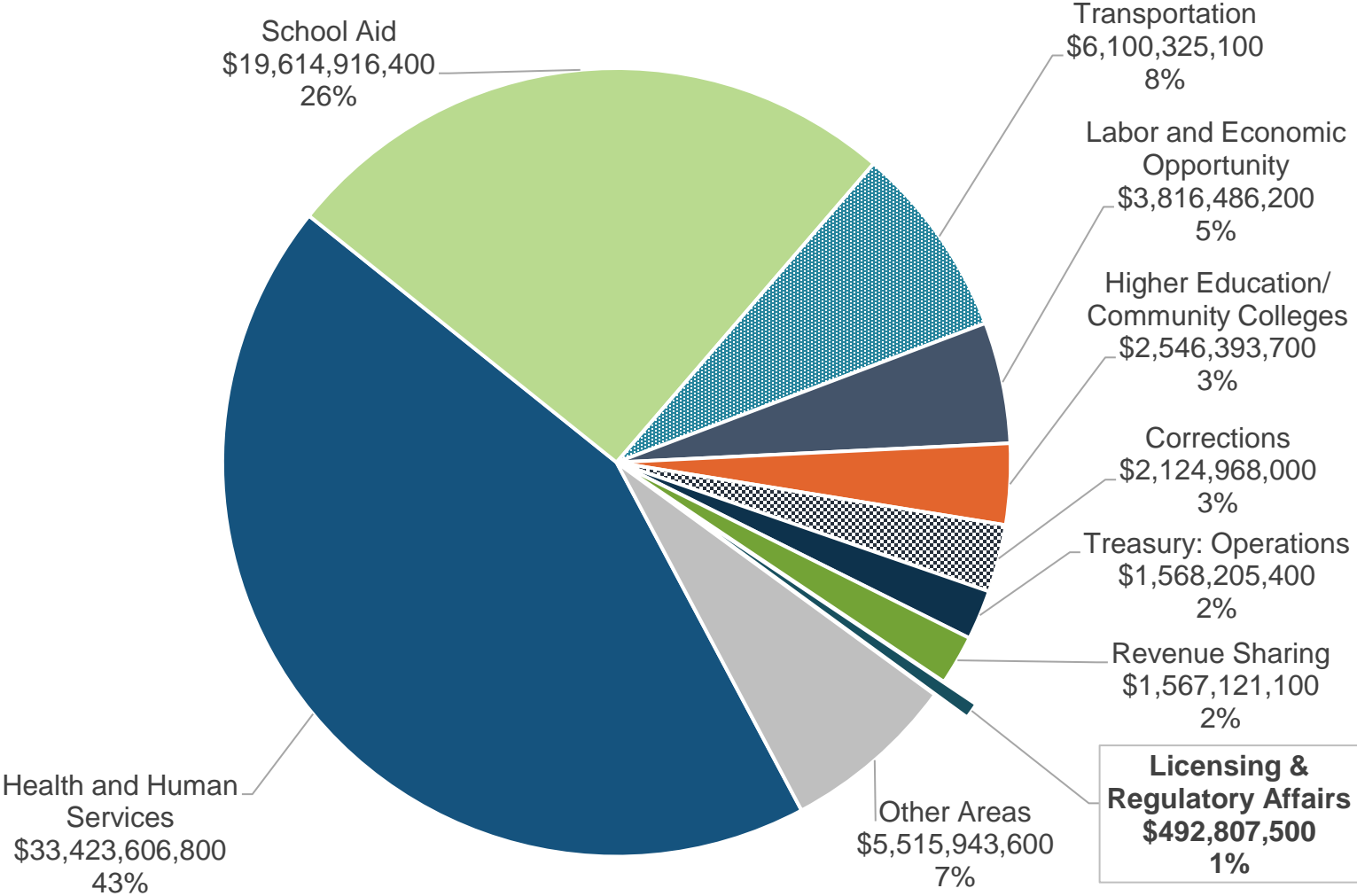
FY 2022-23 Fund Sources

Approximately **46%** of the **\$539.8 million** LARA budget is funded by state restricted revenue generated from fees and fines levied on individuals, entities, and activities regulated by LARA.



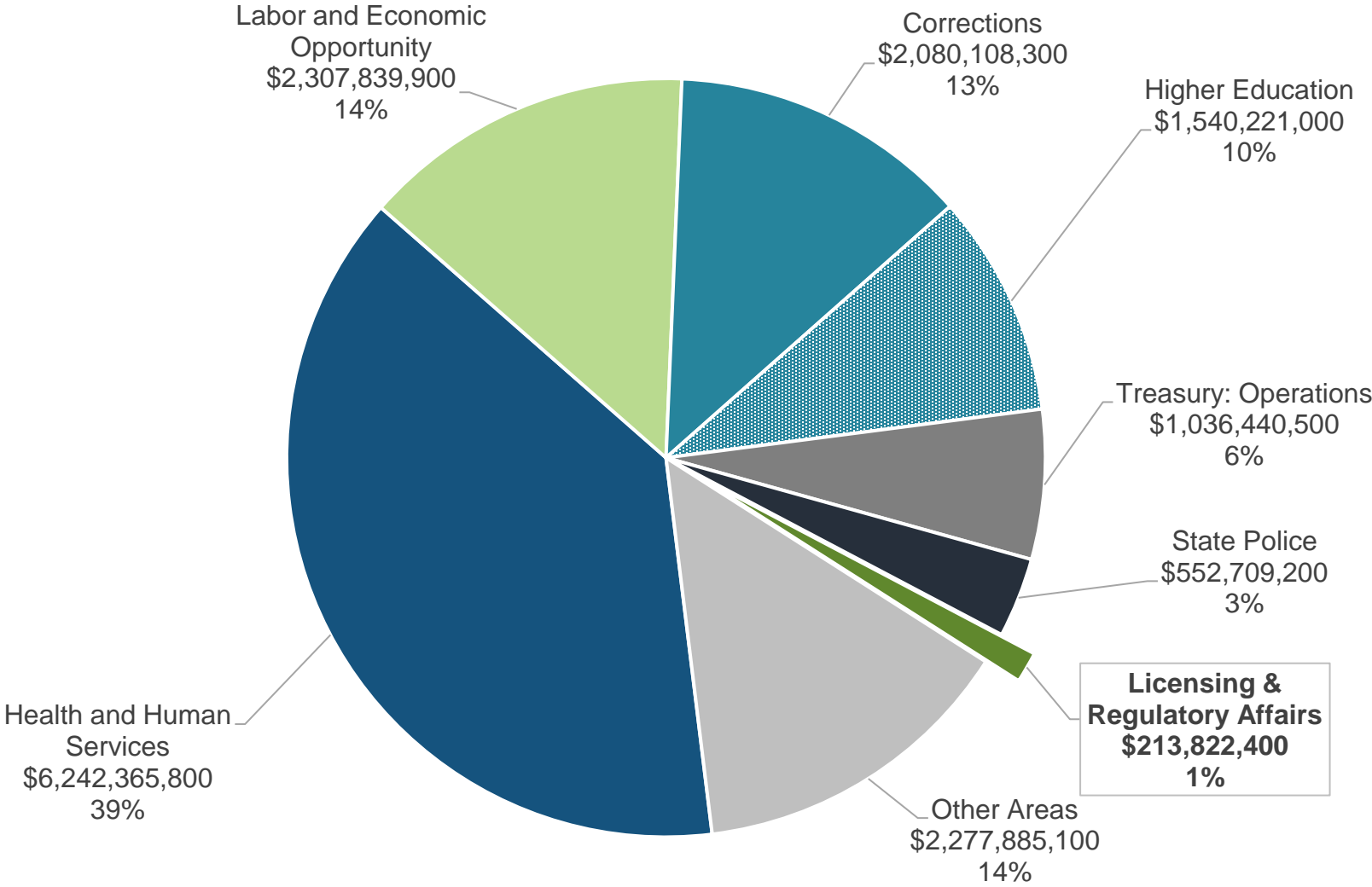
LARA Share of Total State Budget

The LARA budget represents approximately 1% of the \$76.8 billion state budget (adjusted gross) for FY 2022-23.



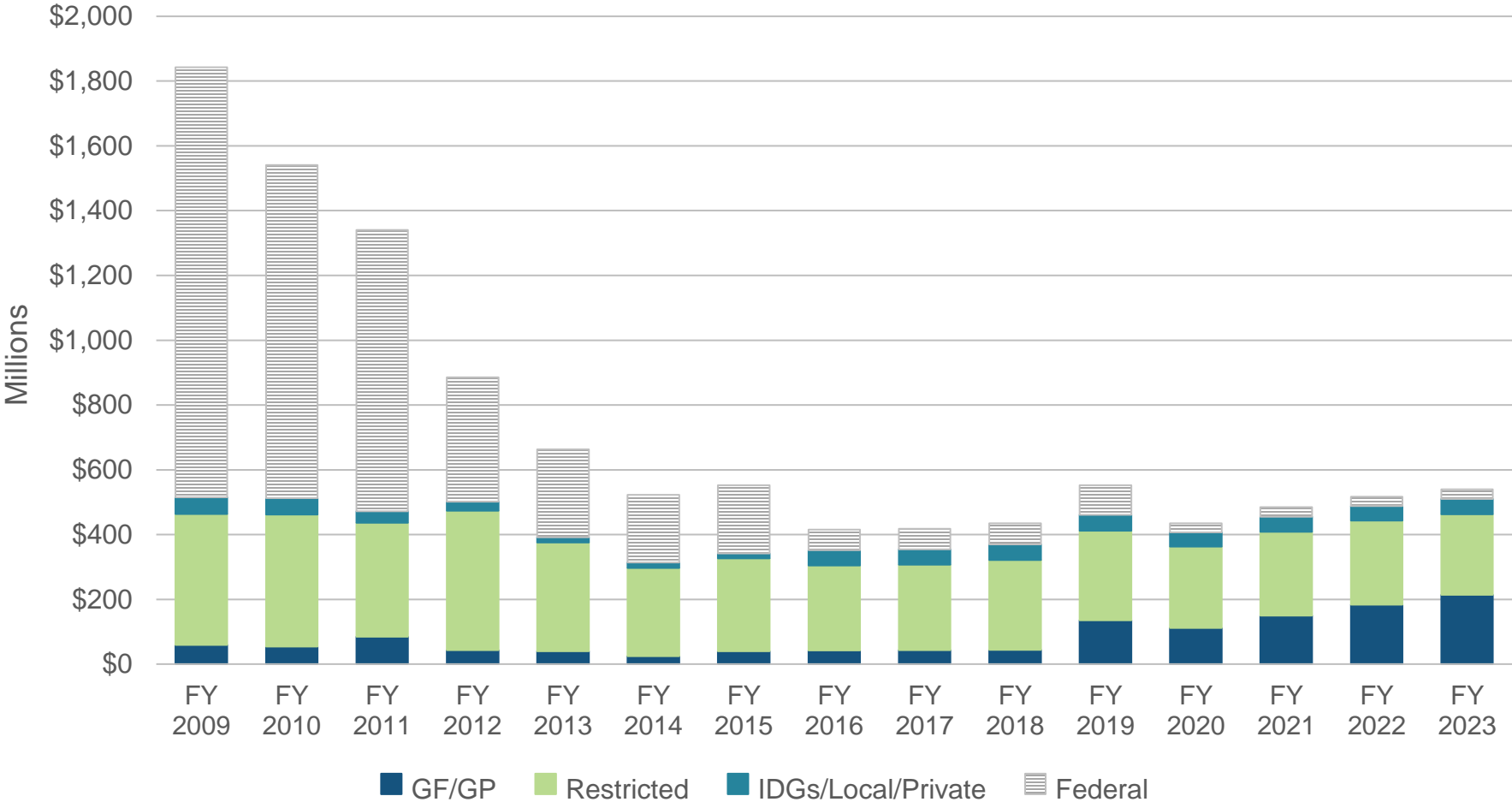
LARA Share of Total GF/GP Budget

The LARA budget represents approximately 1% of the state's \$16.3 billion GF/GP budget for FY 2022-23.



LARA Funding History

Funding increase in FY 2008-09 was primarily from temporary federal ARRA grants, with subsequent decreases primarily from reorganizations (transferring of state agencies out of LARA). Funding increases in FY 2018-19 were caused by the transfer of Michigan Indigent Defense Commission Grants from Judiciary and refugee services functions from DHHS. From FY 2018-19 to FY 2019-20 a decrease occurred due to the transfer of LARA functions under EO 2019-13.



Appropriation Areas

LARA Appropriation Areas

Departmental Administration and Support: Various administrative functions (executive direction, lease obligations and property costs, etc.)

Public Utility Regulation: Regulation of electricity, natural gas, and telecommunications

Liquor Control Commission: Regulation of alcoholic beverages and oversight of the state's wholesale liquor operations

Occupational Regulation: Regulation of commercial, occupational, construction, fire safety, and health care and human service activities, entities, and facilities

Cannabis Regulatory Agency: Oversight of medical and adult-use marijuana activities and facilities and hemp licensing

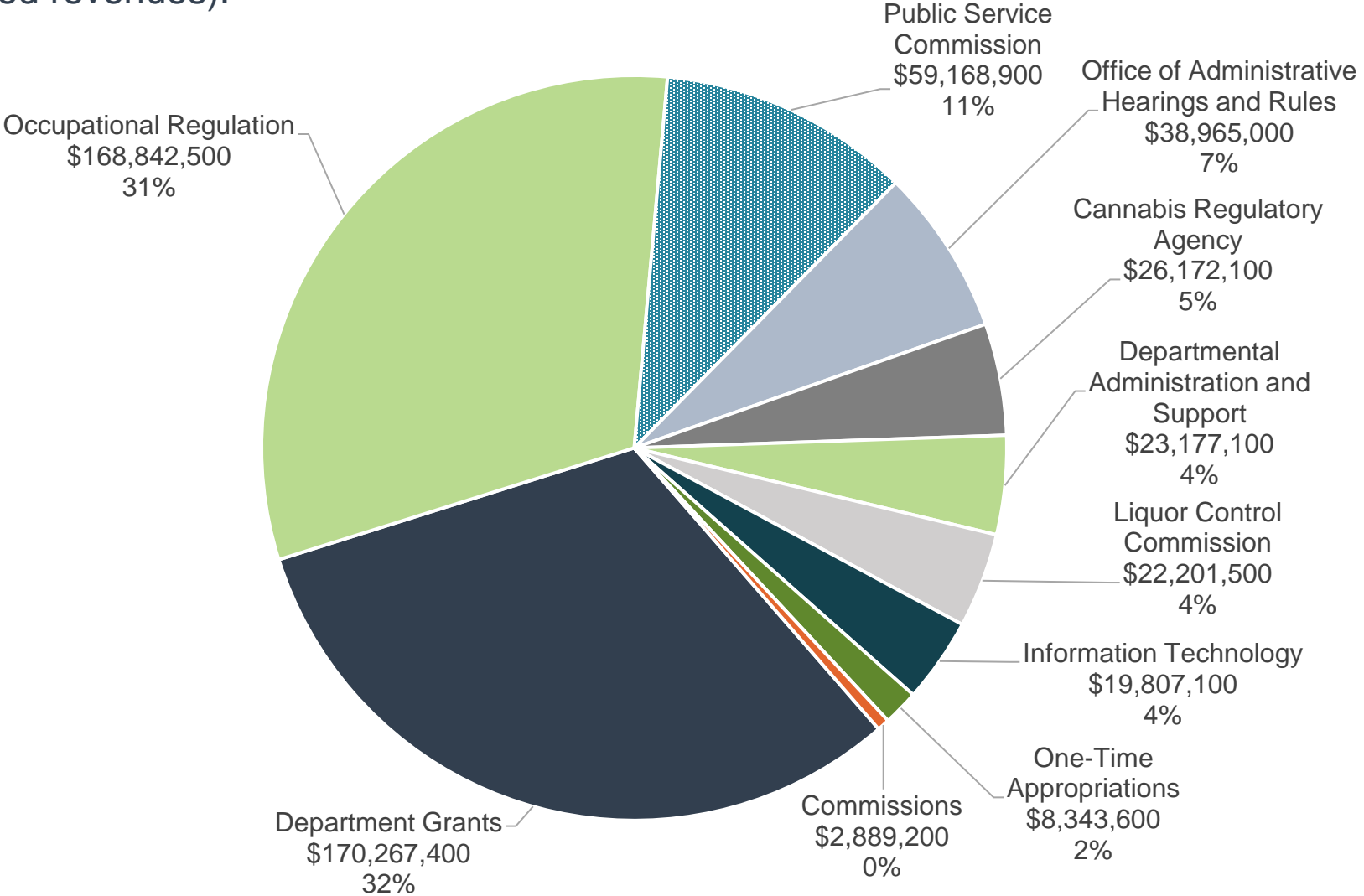
Michigan Office of Administrative Hearings and Rules: Provision of administrative hearing functions and rulemaking

Commissions: Staffing and administrative costs for the Michigan Indigent Defense Commission and the Unarmed Combat Commission

Department Grants: Various state grant programs, largely financing specified functions of local units of government

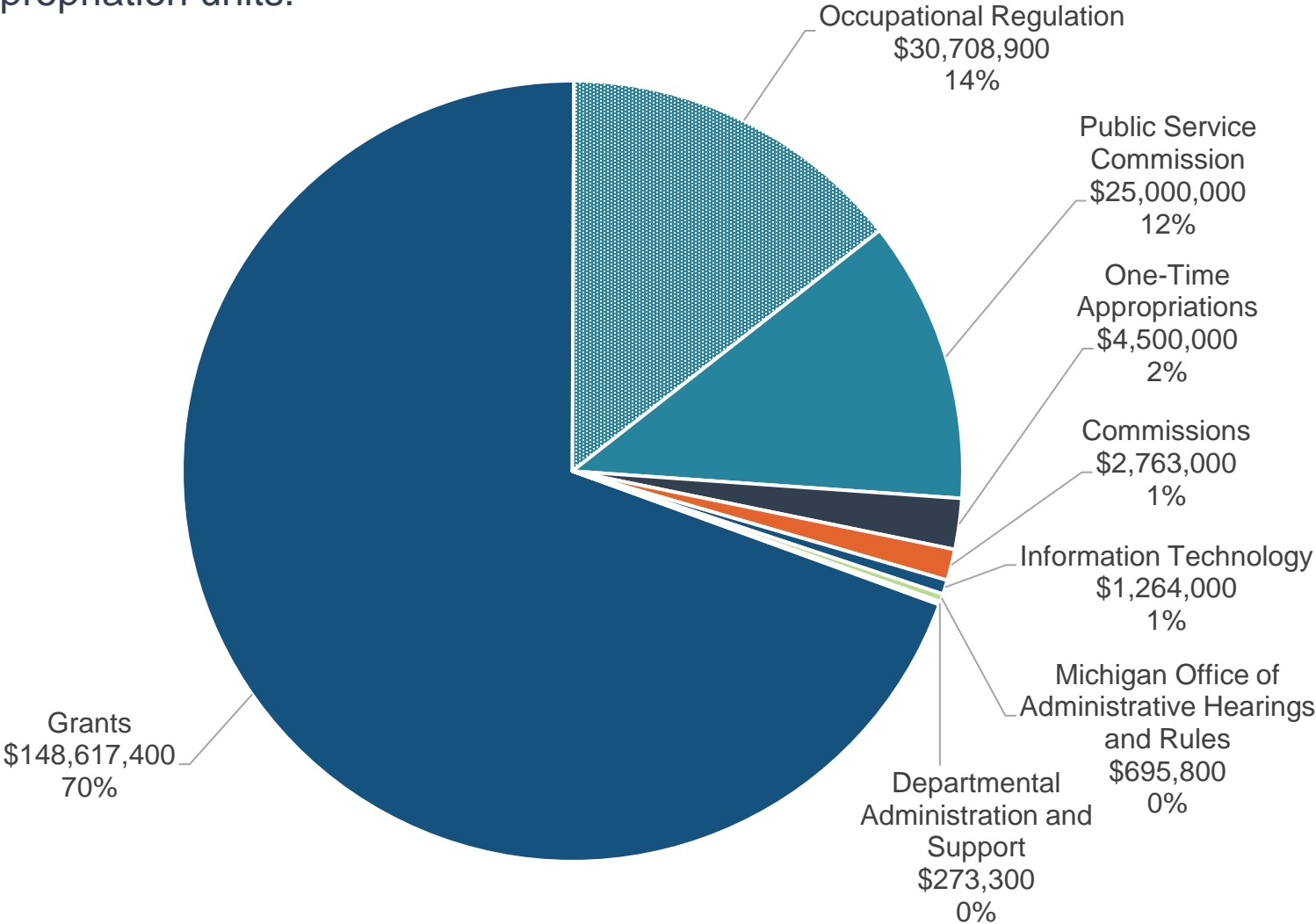
FY 2022-23 Gross Appropriations

The largest portions of the \$539.8 million LARA budget support department grant programs, 32%, and occupational regulation, 31% (which is funded primarily with state restricted revenues).



FY 2022-23 GF/GP Appropriations

Approximately **84%** of GF/GP funds (**\$179.3 million**) are contained in the Grants (MIDC grants) and Occupational Regulation (primarily for regulating health and human services facilities) appropriation units.



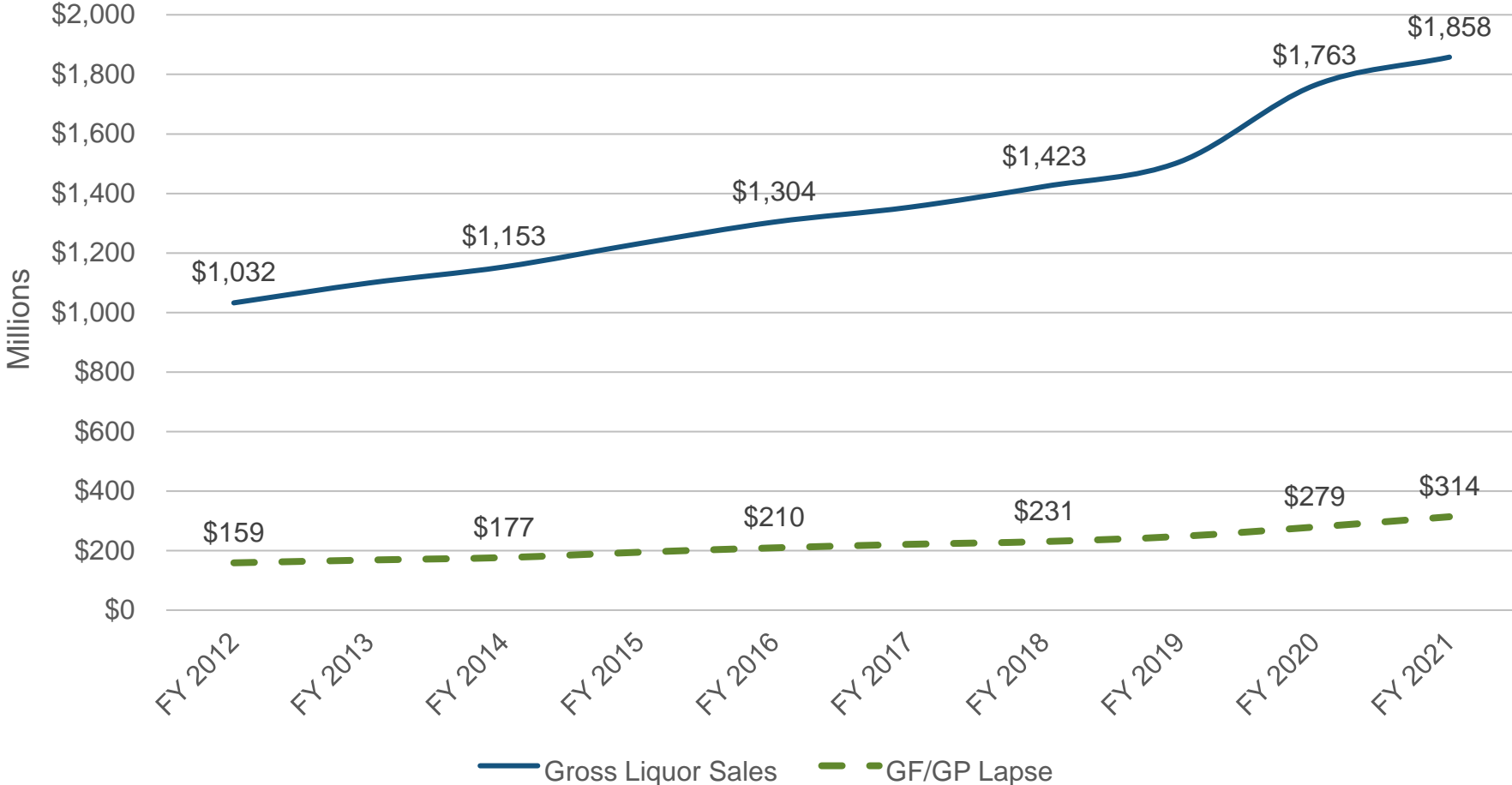
Major Budget Topics

Low Carbon Energy Infrastructure Enhancement and Development

- Grant program for businesses, nonprofits, and local units of government to plan, develop, design, acquire, or construct low carbon energy facilities, which can include natural gas facilities, combined heat and power facilities, renewable natural gas facilities, and electrification programs.
- Legislature appropriated **\$25.0 million** GF/GP for FY 2021-22 (2022 PA 53) and an additional **\$25.0 million** GF/GP for FY 2022-23 (2022 PA 166).
- Proposals are due to MPSC in January 2023 and award selections are expected in late spring of 2023. The anticipated grant start date is **July 3, 2023**.

Liquor Purchase Revolving Fund

Enterprise fund administered by the Liquor Control Commission to support the state’s wholesaling of liquor products, subject to statutory mark-up and discount. The net income annually lapses to the state’s General Fund.

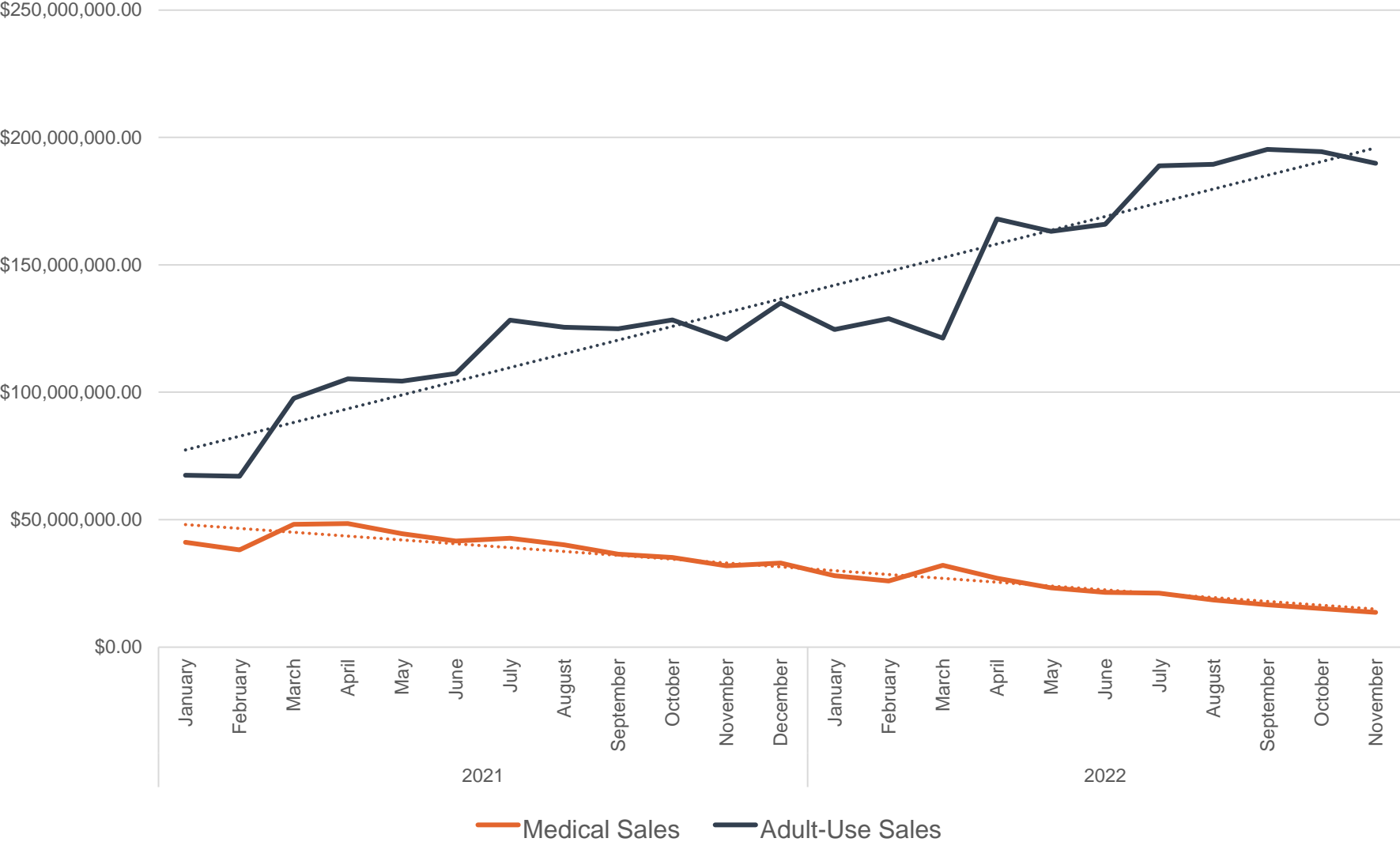


*FY 2021 figures are estimates, audited figures are currently unavailable

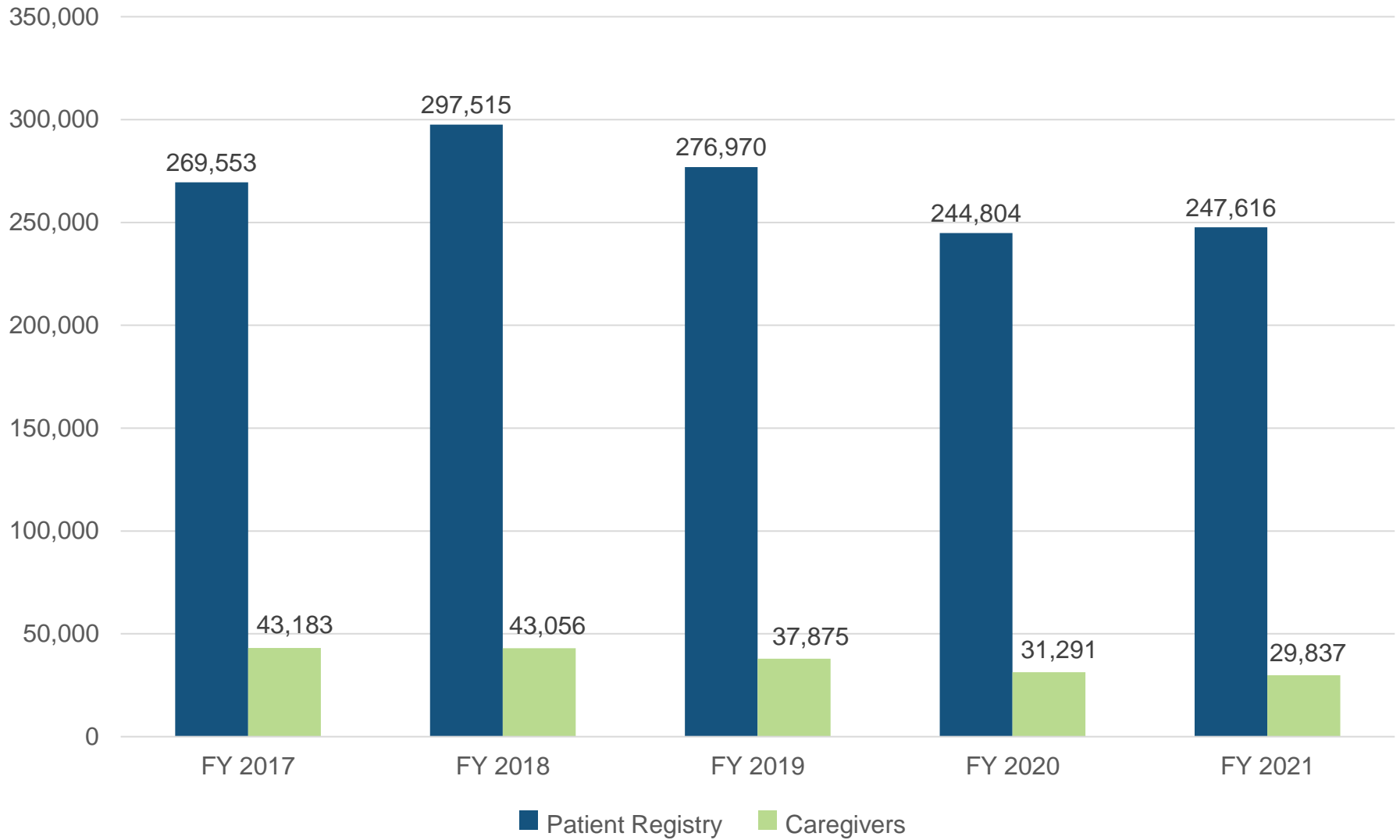
Cannabis Regulatory Agency Appropriations

- Appropriations in the FY 2022-23 budget include:
 - **\$6.5 million** and 50.0 FTE positions for Medical Marijuana Facilities Licensing and Tracking
 - **\$5.0 million** and 25.0 FTE positions for the Medical Marijuana Program
 - **\$14.6 million** and 93.0 FTE positions for Recreational Marijuana Regulation
- CRA also oversees licensing and regulation of Hemp Processor-Handlers. Supplemental Request 2023-1 sought \$300,000 in state restricted funding authorization to support this activity.

Marijuana Total Monthly Sales 2021-2022



Michigan Medical Marihuana Act Patient Volumes



Michigan Indigent Defense Commission

- **\$2.8 million** (GF/GP) is appropriated to cover administrative costs of the commission in FY 2022-23.
- Since FY 2018-19, grants have been distributed to funding units of district and circuit courts for implementation of MIDC-approved compliance plans to bring systems into compliance with indigent defense standards.
- Approved standards currently pertain to:
 - Education and training of defense counsel
 - Timing and location of attorney-client interviews
 - Defense investigations and experts in indigent cases
 - Presence of counsel at first appearance and other trial stages
 - Ensuring independence of indigent defense systems from the judiciary
 - Economic incentives and disincentives, including attorney compensation
- **\$148.9 million** Gross is appropriated for grants in FY 2022-23.

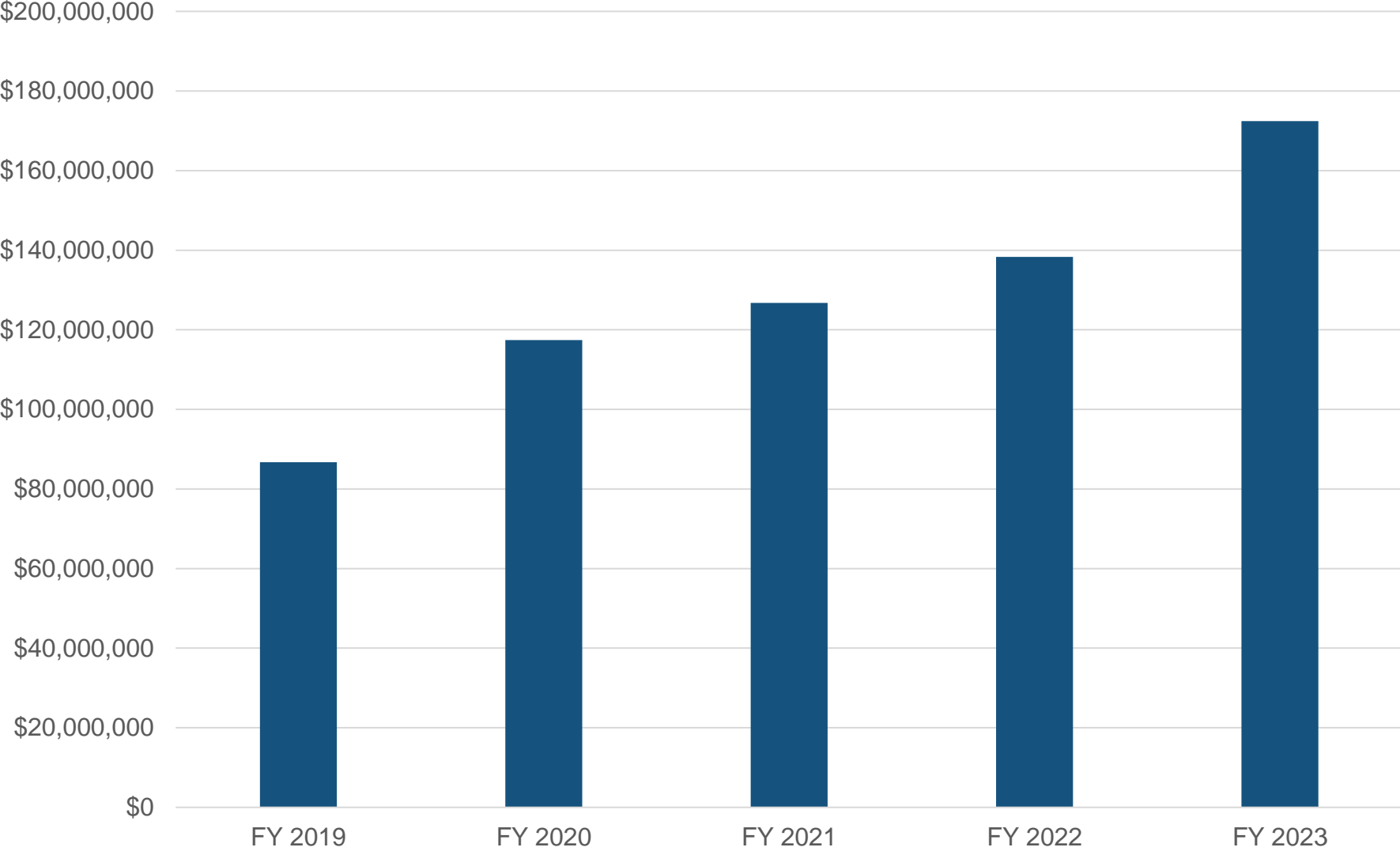
Pending Indigent Defense Standards

- Two standards (standards 6 and 7) have been submitted by the MIDC to LARA and are pending approval.
- The pending standards pertain to:
 - Limiting indigent defense attorney caseloads
 - Basic requirements and qualifications for attorneys in different case types
- There are no cost estimates currently available. However, based on costs for the other standards, the state's portion of costs for standards 6 and 7, if approved, would likely total millions of dollars.

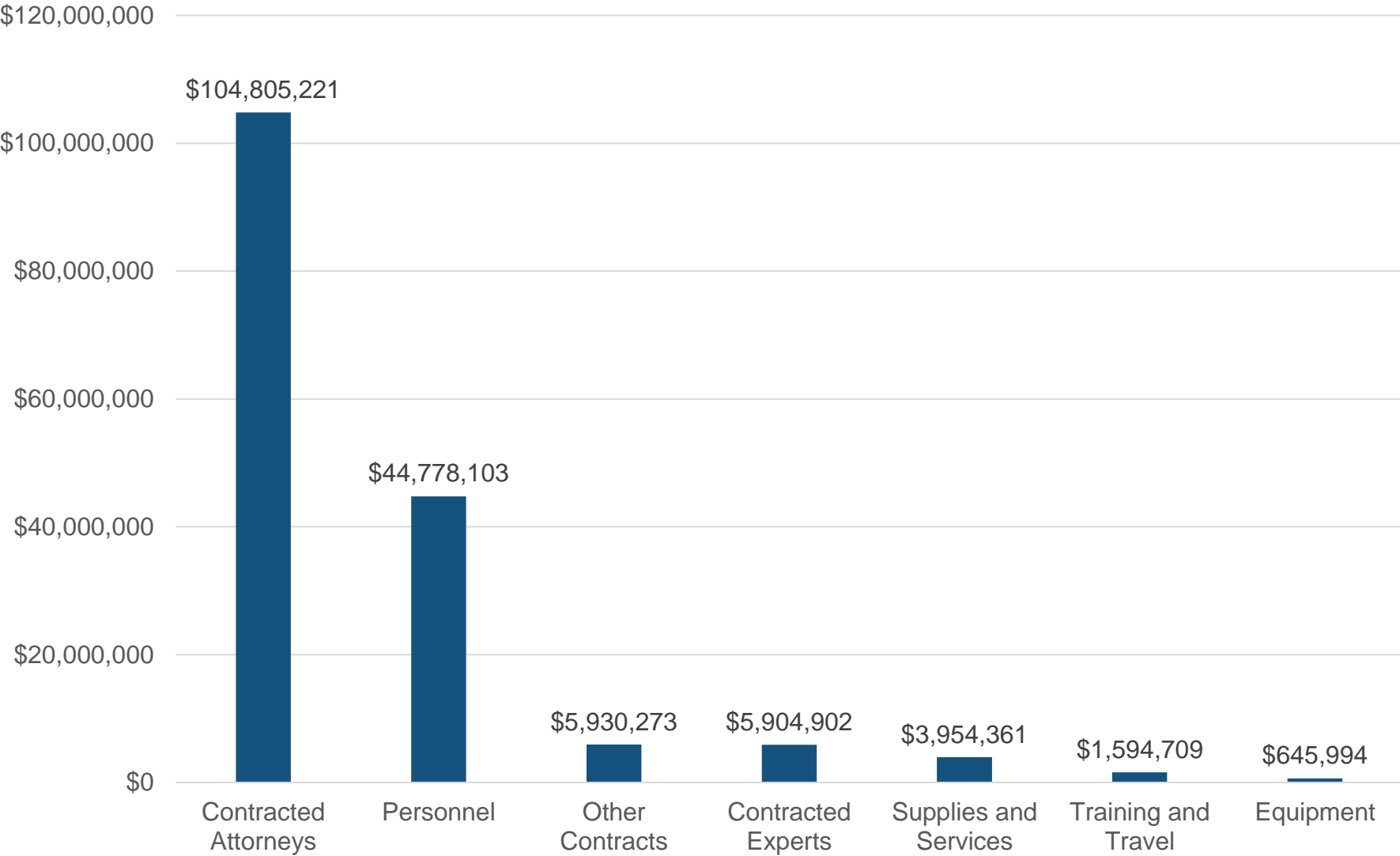
MIDC Appropriations

| Fiscal Year | Michigan Indigent Defense Commission Funding | MIDC Grant Funding |
|-------------|--|---|
| FY 2018-19 | \$2,240,700 GF/GP | \$84,100,000 GF/GP \$100 Restricted |
| FY 2019-20 | \$2,449,200 GF/GP | \$80,799,600 GF/GP \$200,000 Restricted |
| FY 2020-21 | \$2,714,000 GF/GP | \$117,267,400 GF/GP \$200,000 Restricted |
| FY 2021-22 | \$2,699,400 GF/GP | \$148,617,400 GF/GP \$300,000 Restricted |
| FY 2022-23 | \$2,763,000 GF/GP | \$148,617,400 GF/GP \$300,000 Restricted |

MIDC Grant Approvals



FY 2020-21 Indigent Defense System Costs



*Data from FY 2021 MIDC Report

Department Grant Programs

Firefighter Training: Awarded to counties, determined via population and land area subject to a \$5,000 minimum, to reimburse organized fire departments for firefighter training and other activities required under the Firefighter Training Council Act of 1966.

Liquor Law Enforcement: Awarded to local law enforcement agencies, approximately equivalent to 55% of revenue generated by retail liquor licensure fees collected within each jurisdiction. Grants are used for enforcement of the Liquor Control Code of 1998 and rules promulgated under the Code.

Medical Marihuana Operation & Oversight: Awarded to counties, upon application and proportional to the number of medical marihuana registration cards issued or renewed in each county, for education and outreach regarding the Michigan Medical Marihuana Act.

Michigan Saves (One-Time): Awarded by the Public Service Commission to a non-profit green bank to provide credit enhancement tools for expanding access to renewable energy and energy efficiency improvement loans for commercial, residential, and public entities.

Department Grant Programs (Continued)

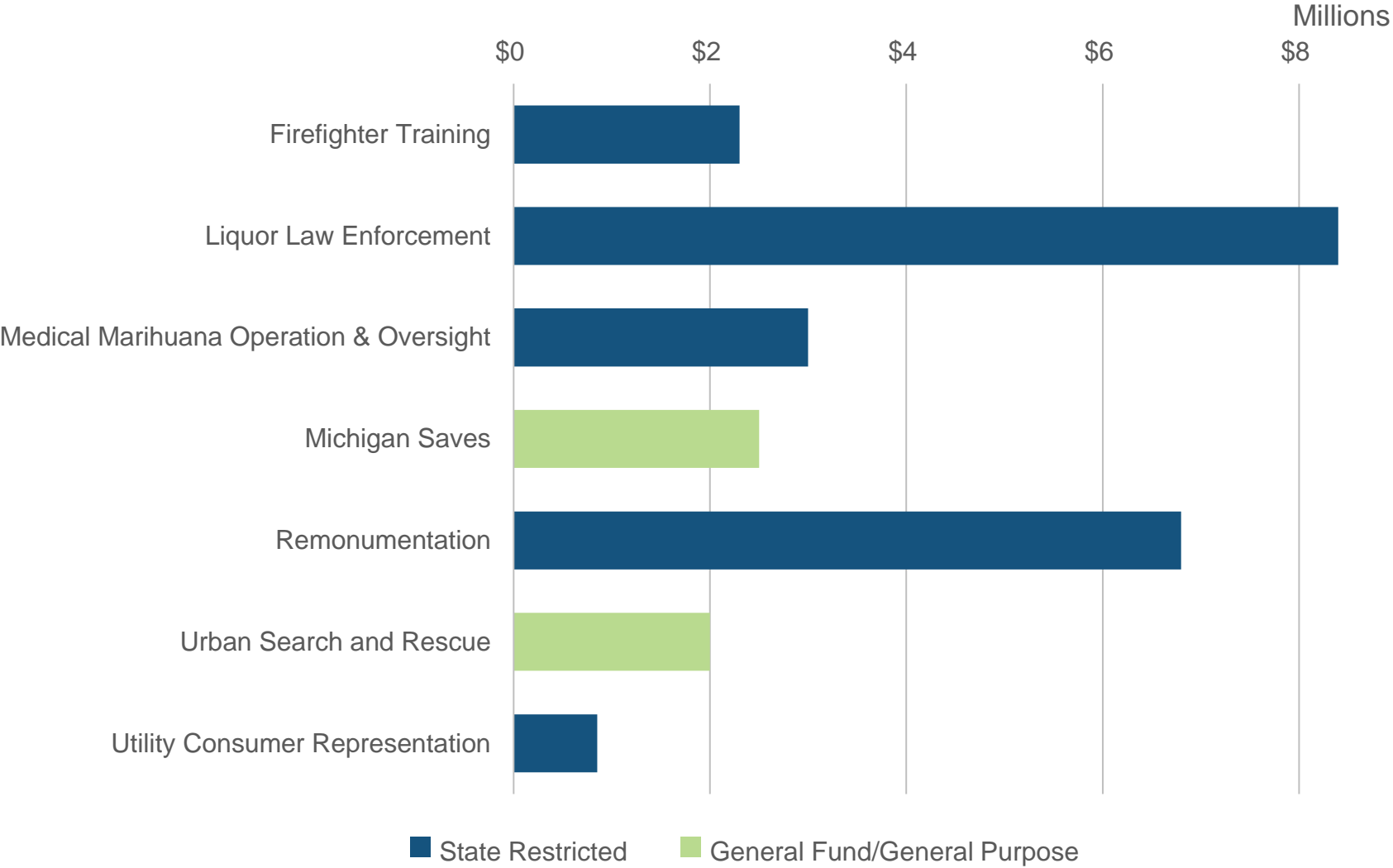
MIDC Grants: Awarded to funding units of district and circuit courts to implement provisions in MIDC-approved compliance plans in order to bring indigent defense systems into compliance with standards established by the MIDC.

Remonumentation: Awarded to counties, upon application and subject to minimum allocations of recording fees collected by Register of Deeds for each county, for implementation of plans to survey, remonument, and maintain the original national Public Land Survey System corners.

Urban Search and Rescue: Awarded to the Michigan Mutual Aid Alarm System for costs associated with supervisory and essential functions at incidents where technical rescue expertise and equipment are required for effective rescue operations.

Utility Consumer Representation: Awarded to nonprofit organizations and local units of government for representation and advancement of the interests of residential utility customers in administrative and judicial proceedings.

Department Grant Appropriations



FY 2022-23 One-Time Appropriations

- **Bureau of Fire Services, Smoke Detectors – \$1.0 million GF/GP** for purchasing and distributing smoke detectors to Michiganders.
- **Cannabis Market Taxation and Regulatory Compliance Analysis Pilot Program – \$500,000** in state restricted authorization to analyze tax reporting and regulatory compliance in the cannabis industry.
- **Corporations Online Filing Modernization – \$2.3 million** in state restricted authorization to modernize a heavily used filing system.
- **Michigan Task Force on Foreign Trained Medical Professional Licensing – \$1.0 million** in state restricted authorization to support a task force focused on reducing licensure barriers for medical professionals trained outside of the U.S.
- **Urban Search and Rescue – \$1.0 million GF/GP** to support Michigan TF-1, which provides technical rescue operations expertise and equipment.

FY 2022-23 Fee Sunsets

| Fee | Sunset | Revenue Impact |
|--|--------------------|----------------|
| Mental Health Code licensing fees | September 30, 2023 | \$1,500,000 |
| Substance use disorder licensing fees | | |
| Health facility and agency licensing fees | | |
| Architect licensing fees | September 30, 2023 | \$425,900 |
| Barber licensing fees | September 30, 2023 | \$58,100 |
| Collection agency licensing fees | September 30, 2023 | \$500 |
| Employment and consulting agent licensing fees | September 30, 2023 | \$300 |
| Hearing aid licensing fees | September 30, 2023 | \$1,900 |
| Securities fees | September 30, 2023 | \$7,300,000 |
| Real estate appraiser licensing fees | September 30, 2023 | \$2,800 |
| Business corporation filing fees | September 30, 2023 | \$8,200,000 |
| Nonprofit corporation filing fees | | |
| Limited liability company filing fees | | |
| Cosmetology fees | September 30, 2023 | \$1,100,000 |
| Real estate licensing fees | September 30, 2023 | \$27,900 |

TOTAL \$18,617,400

Data source: Department of Licensing and Regulatory Affairs

For more information about the Licensing and Regulatory Affairs budget:

HFA Resources

<http://www.house.mi.gov/hfa/Licensing.asp>

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