



# **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 2023-24 is October 1, 2023 through September 30, 2024.

**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.

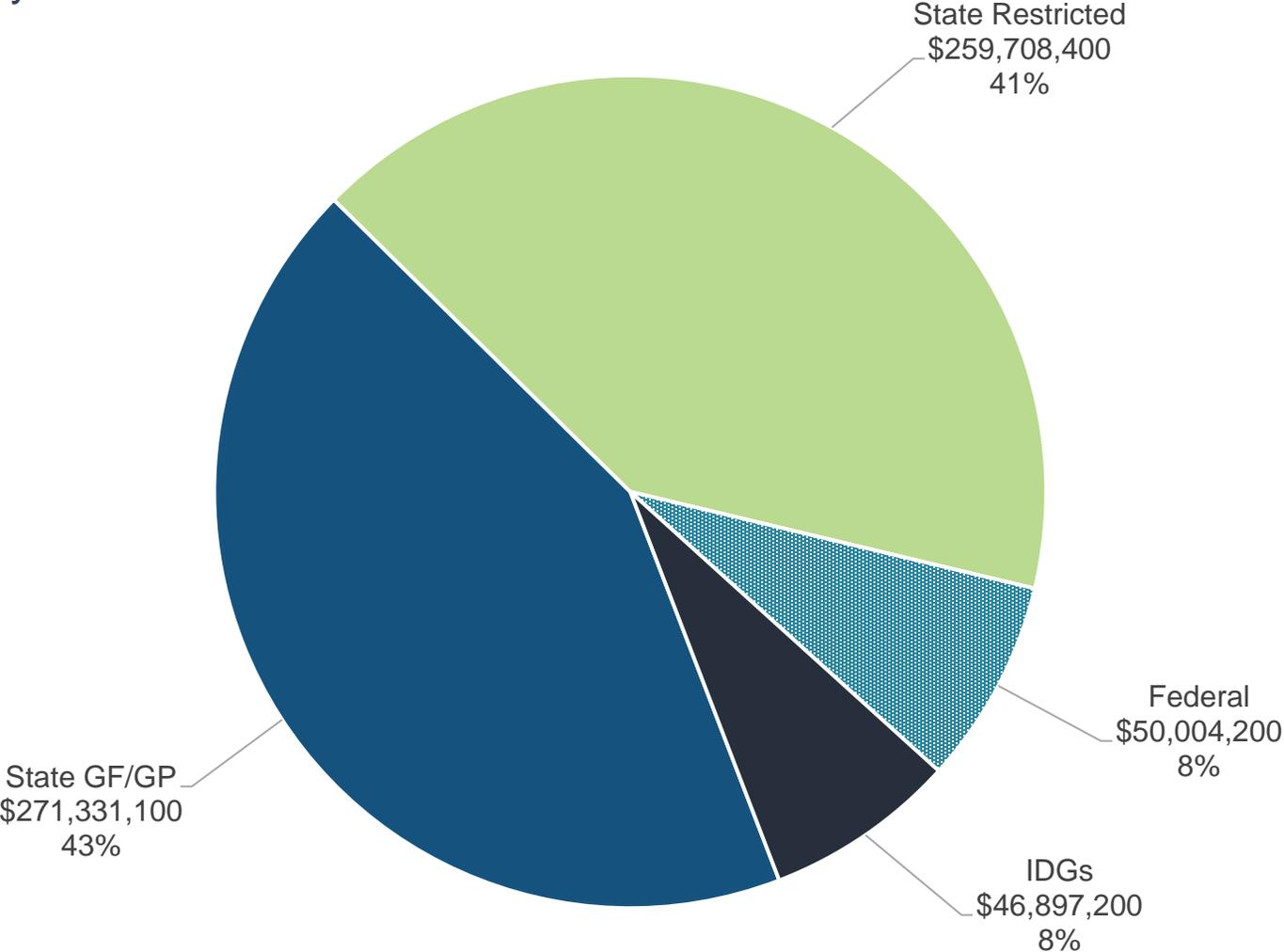
# Funding Sources

# FY 2023-24 LARA Budget

Fund Source	Funding	Description
Gross Appropriations	\$627,940,900	Total spending authority from all revenue sources
Interdepartmental Grants (IDG) Revenue	46,897,200	Funds received by one state department from another state department, usually for services provided
Adjusted Gross Appropriations	\$581,043,700	Gross appropriations excluding IDGs; avoids double counting when adding appropriation amounts across budget areas
Federal Revenue	50,004,200	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	259,708,400	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	\$271,331,100	Unrestricted revenue from taxes and other sources available to fund basic state programs and other purposes determined by the legislature

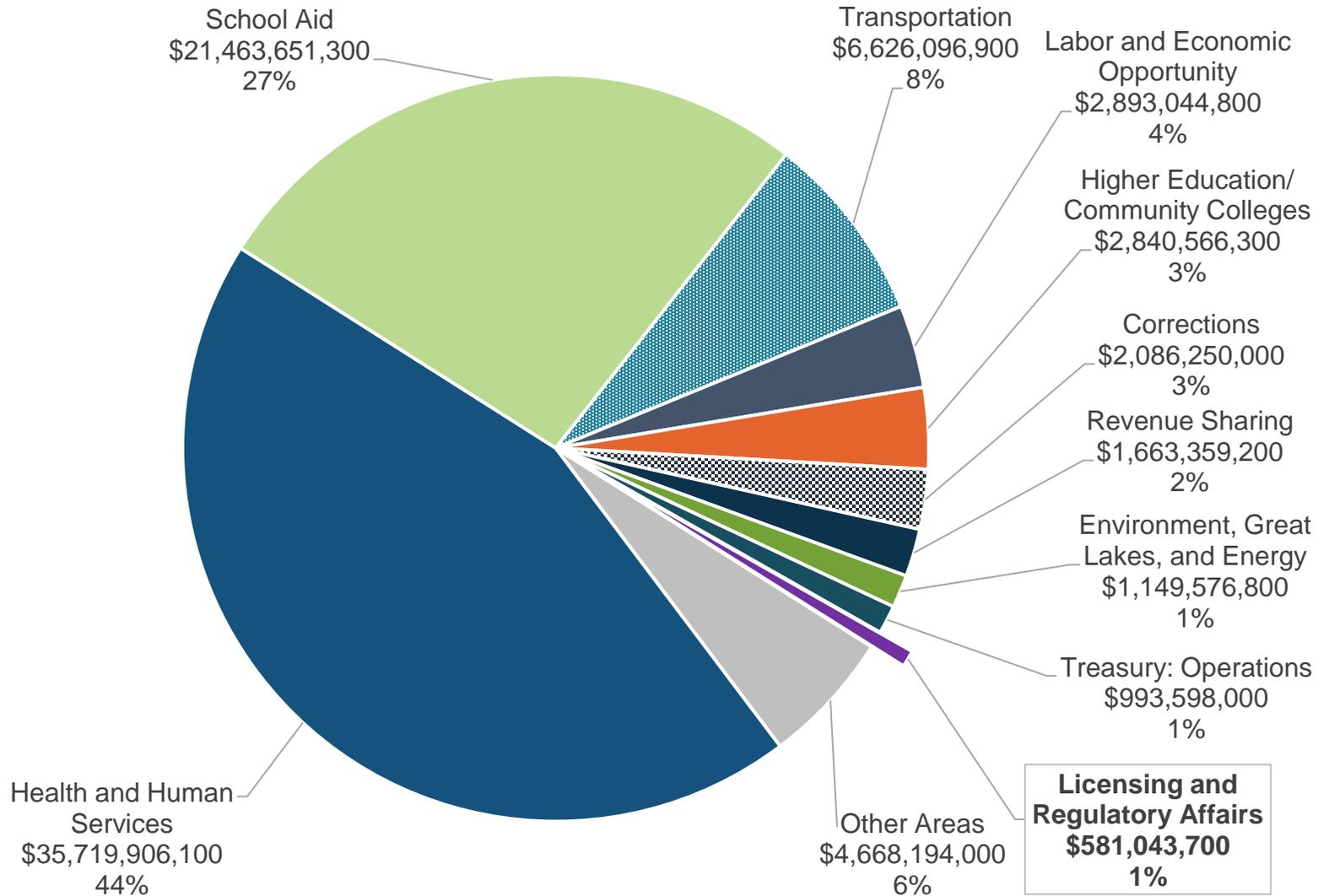
# FY 2023-24 Fund Sources

Approximately 41% of the \$627.9 million LARA budget is funded by state restricted revenue generated from fees and fines levied on individuals, entities, and activities regulated by LARA.



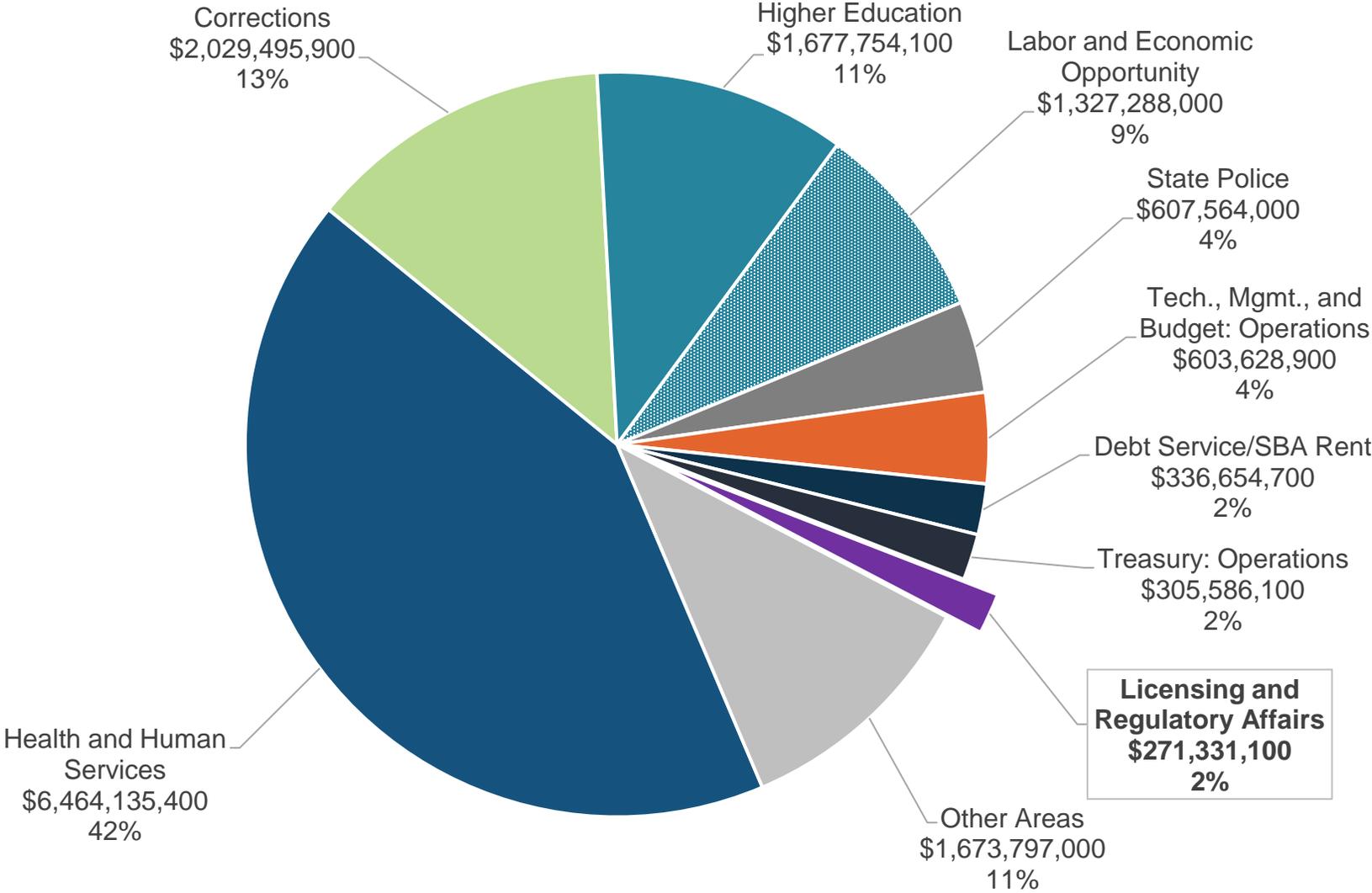
# LARA Share of Total State Budget

The LARA budget represents approximately **1%** of the **\$80.7 billion** state budget (adjusted gross) for FY 2023-24.



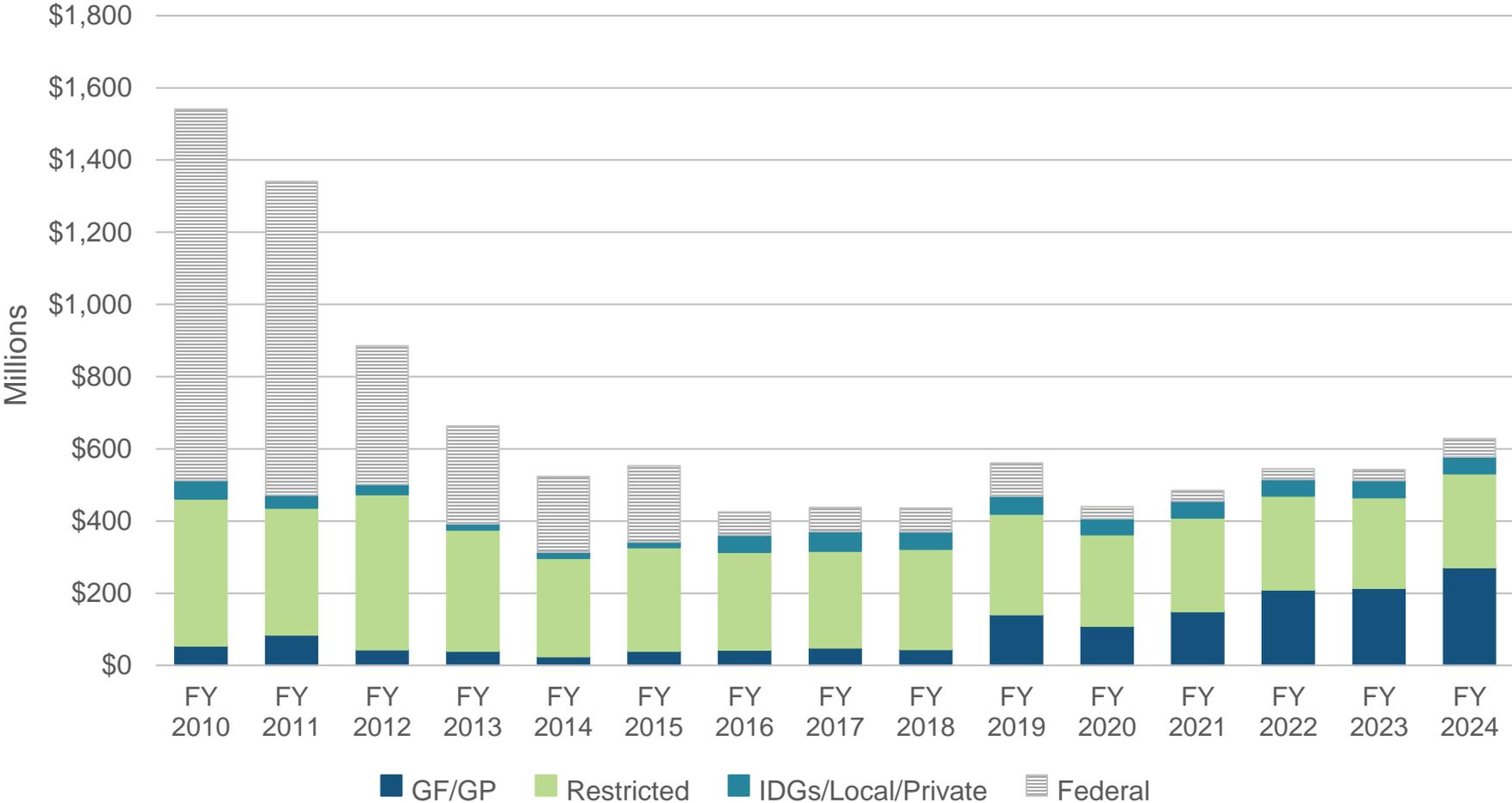
# LARA Share of Total GF/GP Budget

The LARA budget represents approximately 2% of the state's \$15.3 billion GF/GP budget for FY 2023-24.



# LARA Funding History

Elevated federal funding in FY 2009-10 and FY 2010-11 was primarily from temporary federal ARRA grants, with subsequent funding fluctuations resulting largely from reorganizations (transferring of state agencies into and out of LARA). Funding increased in FY 2023-24, primarily due to increased MIDC grant amounts.



# 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

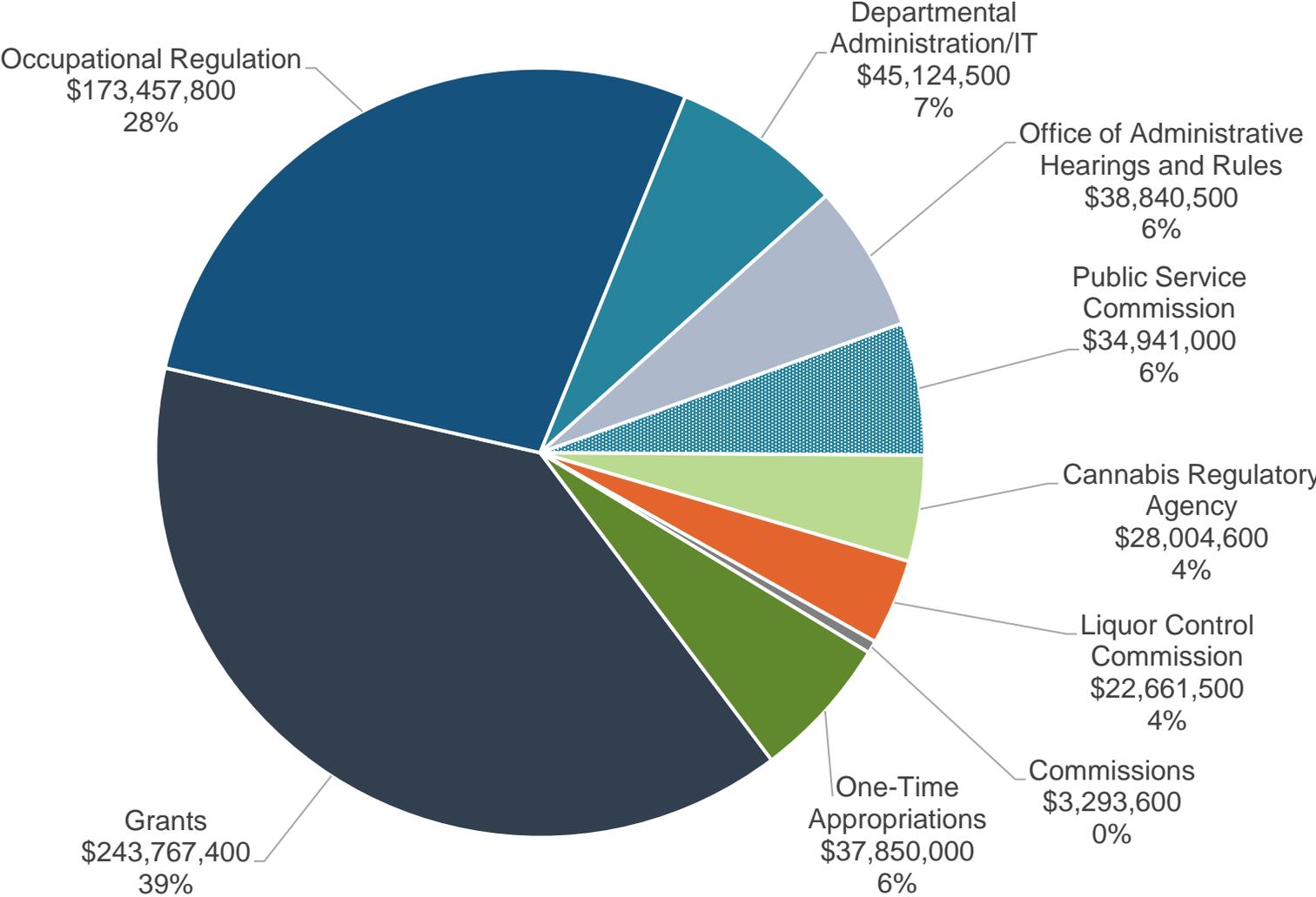
**Michigan Office of Administrative Hearings and Rules:** Provision of administrative hearing functions and rulemaking

**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

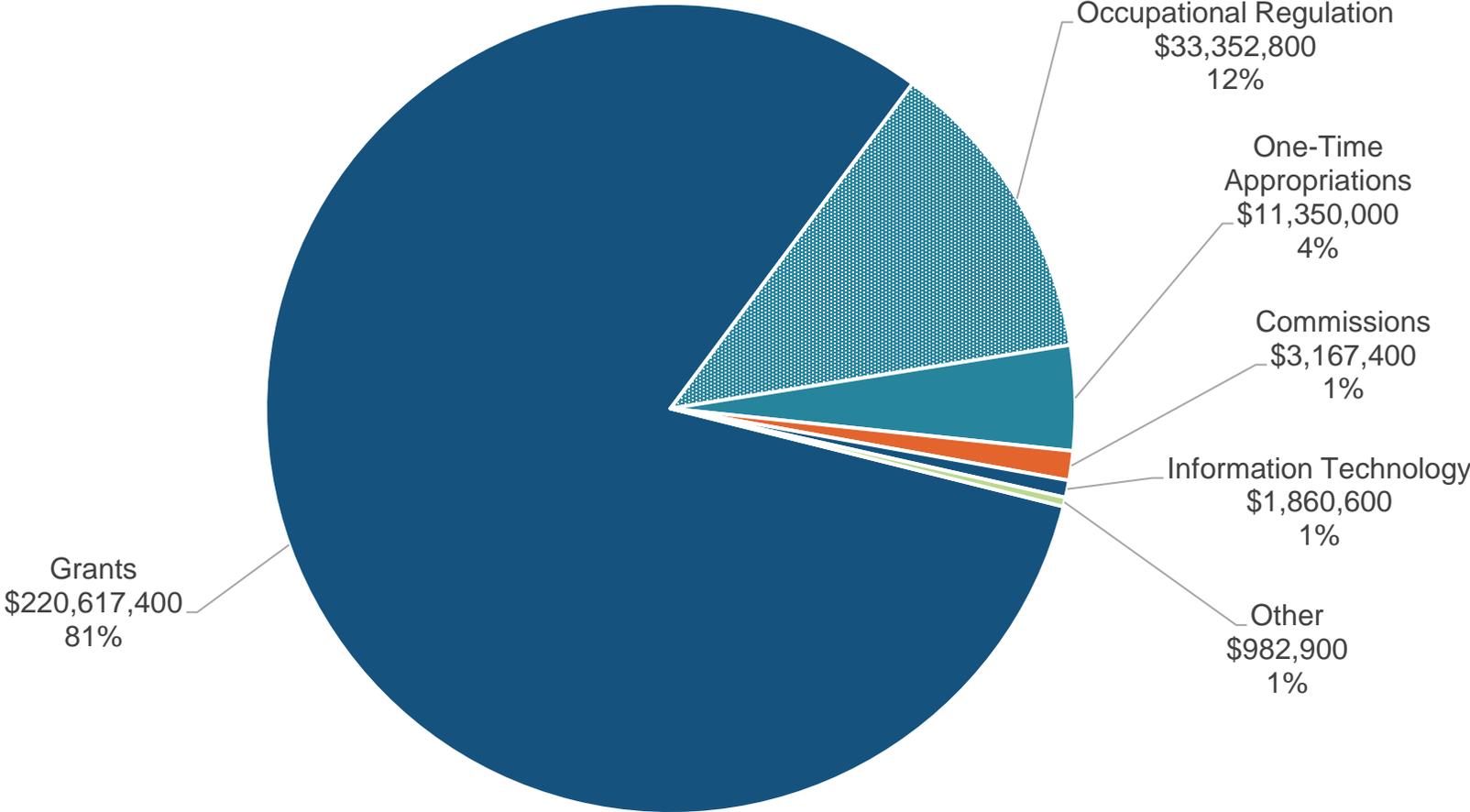
# FY 2023-24 Gross Appropriations

The largest portions of the \$627.9 million LARA budget support grant programs (primarily supported with GF/GP), **39%**, and occupational regulation, **28%** (funded primarily with state restricted revenues). Additional detail on one-time appropriations can be found on slides 28 and 29.



# FY 2023-24 GF/GP Appropriations

Approximately **93%** of GF/GP funds (**\$254.0 million**) are contained in the Grants (for MIDC grants) and Occupational Regulation (primarily for regulating health and human services facilities) appropriation units.



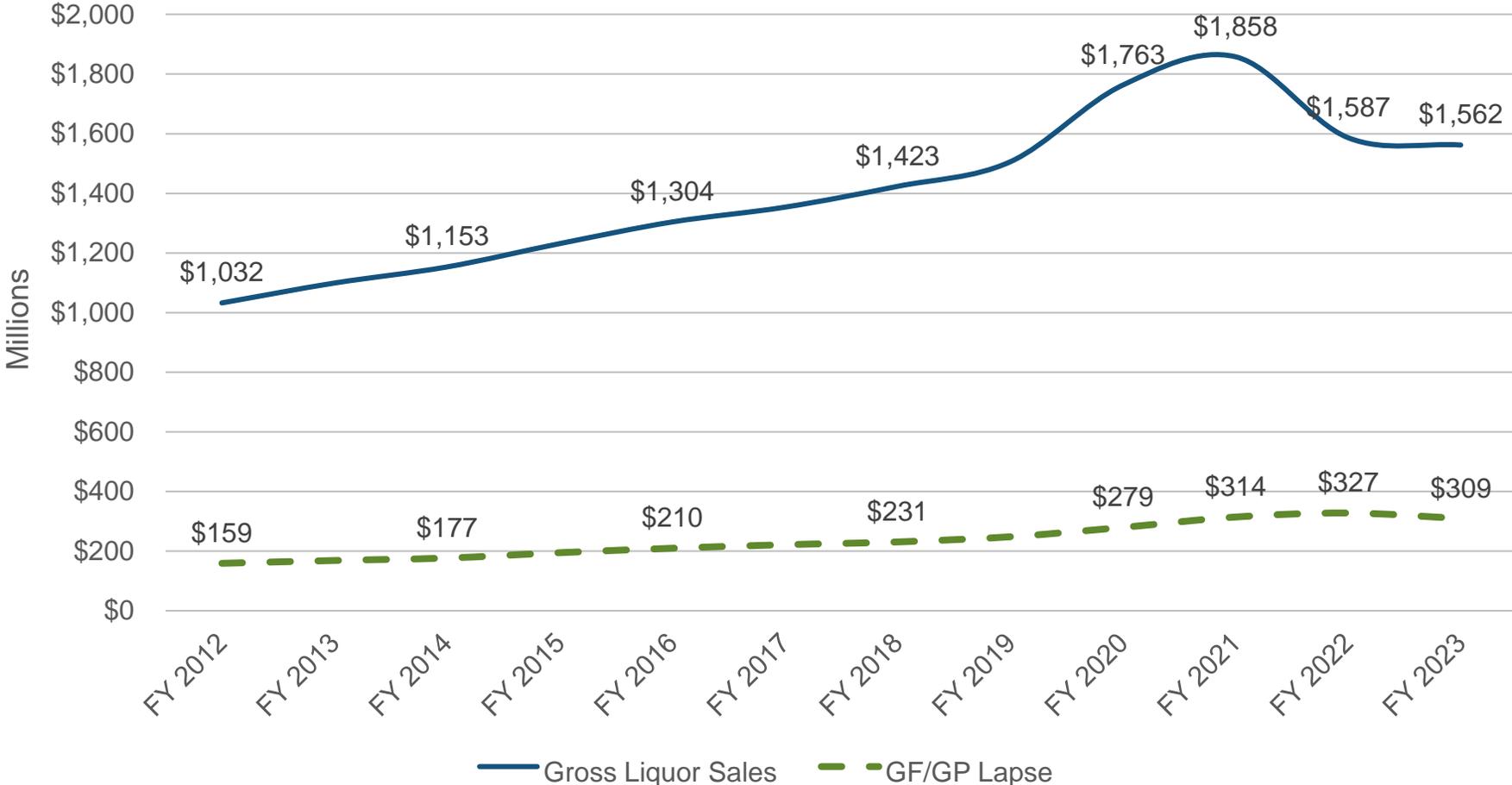
# Major Budget Topics

# Renewable Energy and Electrification Infrastructure Enhancement and Development

- Grant program for businesses, nonprofits, and local units of government to plan, develop, design, acquire, or construct renewable energy and electrification infrastructure projects, which include, renewable natural gas facilities and electric vehicle fast-charging infrastructure upgrades within 1 mile of a U.S. highway or state trunkline roadway.
- Legislature appropriated **\$21.3 million (\$1.3 million GF/GP)**, mostly supported with federal Coronavirus State Fiscal Recovery Funds, for this purpose in FY 2023-24.
- Legislature previously appropriated **\$25.0 million GF/GP** for FY 2021-22 and an additional **\$25.0 million GF/GP** for FY 2022-23 for Low Carbon Energy Infrastructure Enhancement and Development, which was available for natural gas facilities, combined heat and power facilities, renewable natural gas facilities, and electrification programs.
- Proposals are due to MPSC in February 2024. The anticipated grant start date is **November 15, 2023**, with an anticipated completion date of **August 15, 2026**.

# 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.

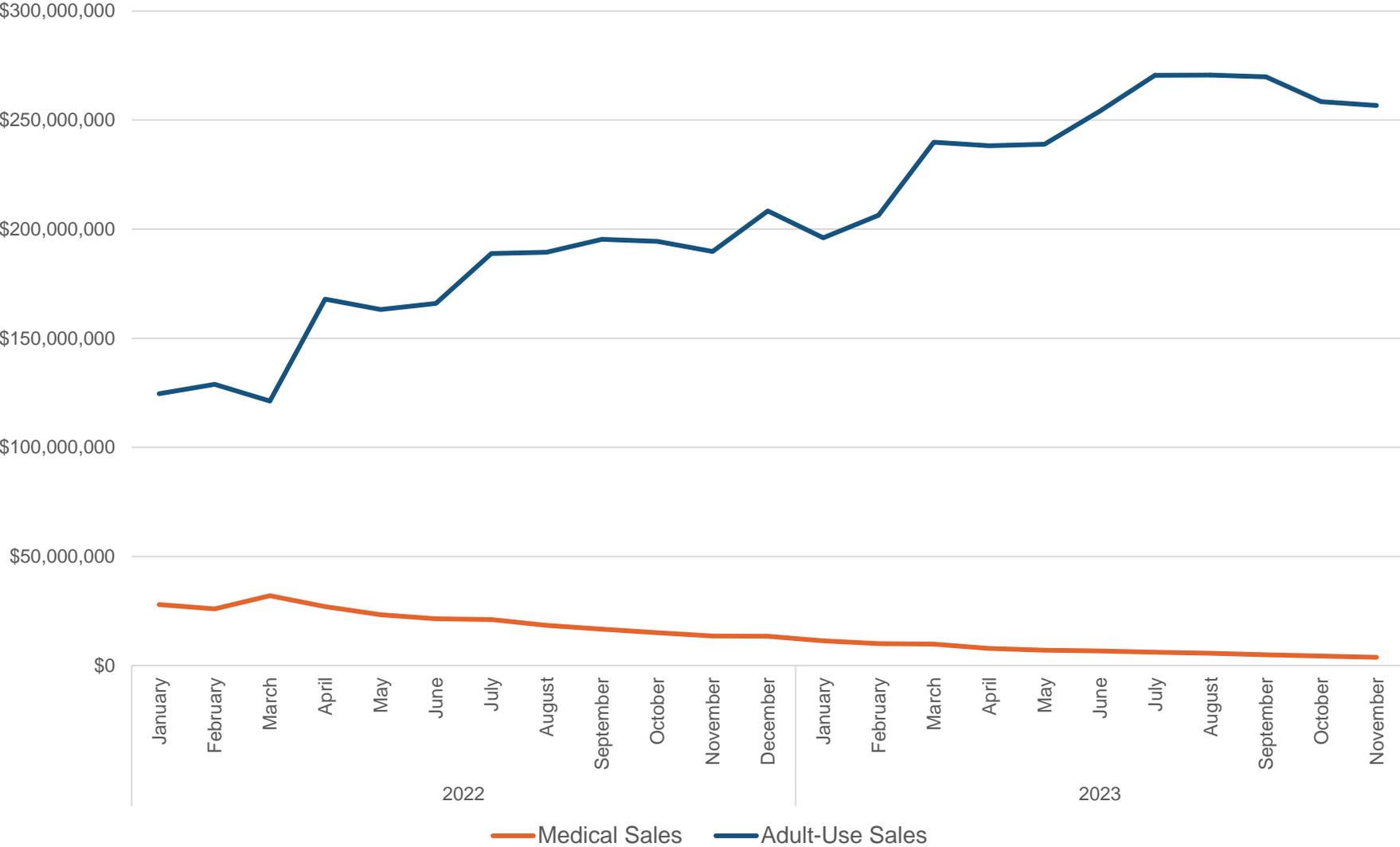


\*FY 2023 figures are estimates, audited figures are currently unavailable

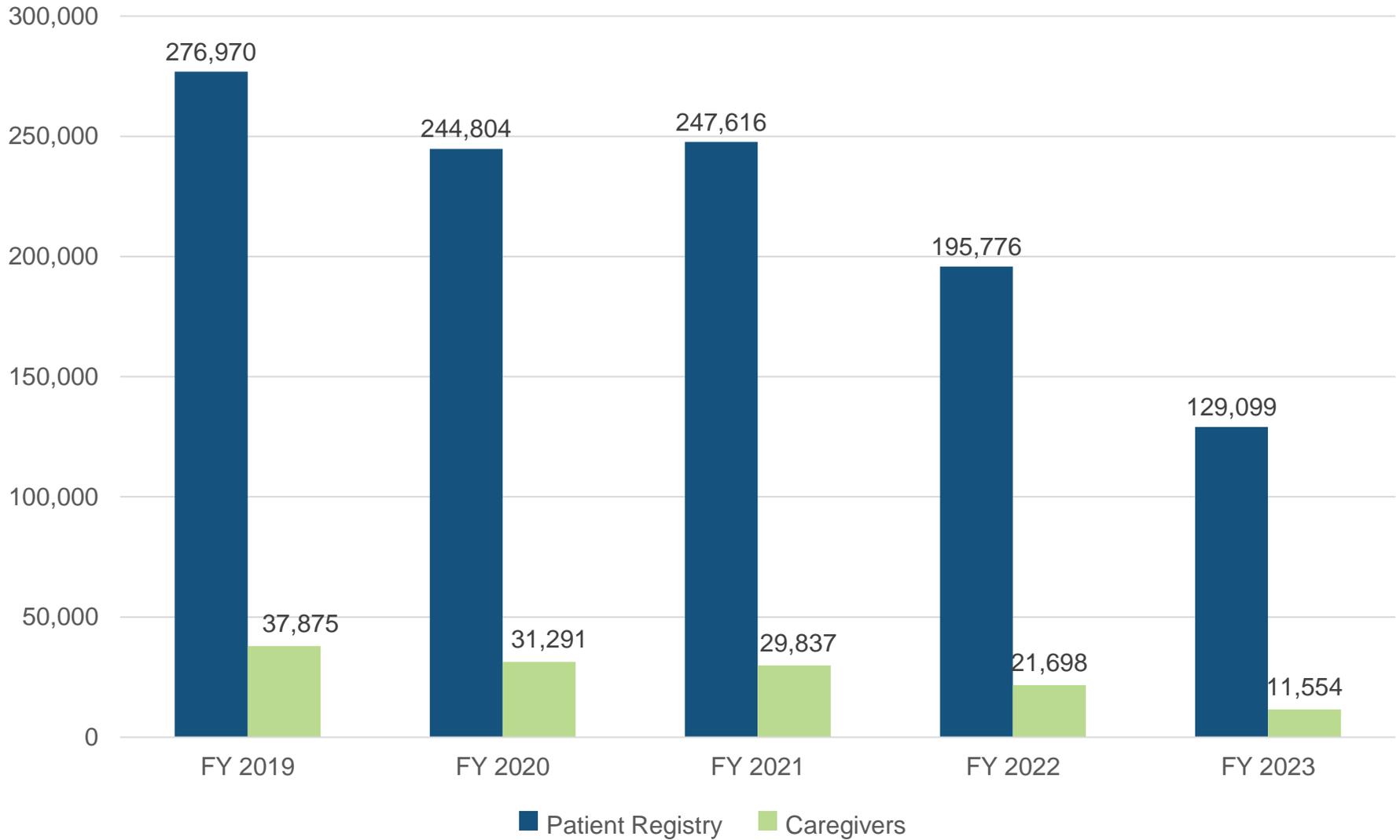
# Cannabis Regulatory Agency

- The Cannabis Regulatory Agency (CRA) is responsible for oversight of the following areas/programs:
  - Michigan Medical Marihuana Program – state registry cards and caregivers
  - Medical marihuana facilities and licensees
  - Adult-use marihuana establishments and licensees
  - Hemp processor-handlers
- CRA appropriations for FY 2023-24 total **\$28.0 million** from the following restricted funding sources:
  - **\$300,000** from the Industrial Hemp Licensing and Registration Fund
  - **\$3.5 million** from the Marihuana Registry Fund (registry card program)
  - **\$17.8 million** from the Marihuana Regulation Fund (adult-use)
  - **\$6.4 million** from the Marihuana Regulatory Fund (medical marihuana facilities)

# Marihuana Total Monthly Sales 2022-2023



# Michigan Medical Marihuana Act Patient Volumes



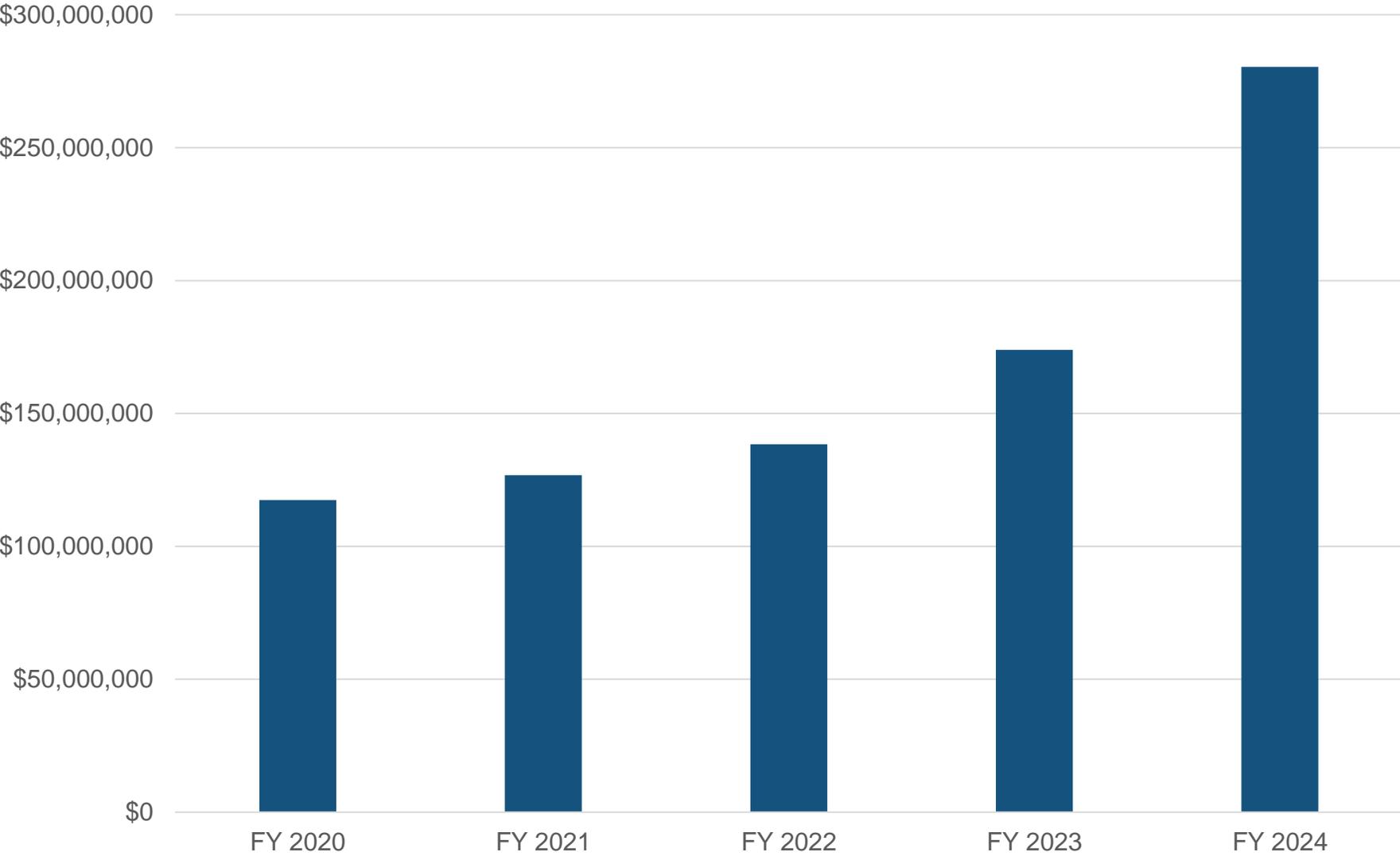
# Michigan Indigent Defense Commission

- **\$3.2 million GF/GP** is appropriated to cover administrative costs of the commission in FY 2023-24.
- 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 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
  - Indigent defense workloads
  - Attorney qualifications to handle different case types
  - Economic incentives and disincentives, including attorney compensation
- **\$220.9 million Gross** is appropriated for grants in FY 2023-24.

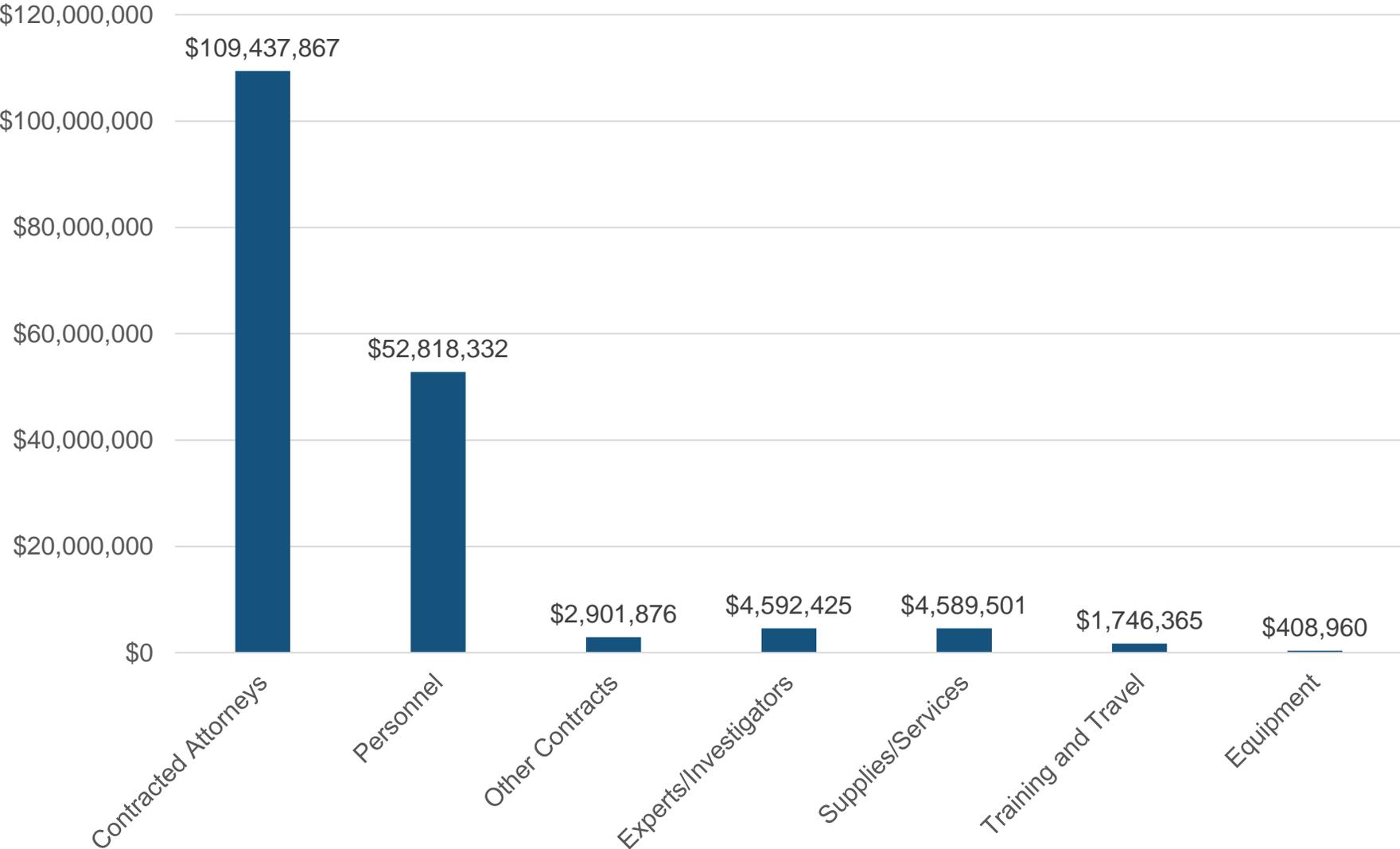
# MIDC Appropriations

Fiscal Year	Michigan Indigent Defense Commission Funding	MIDC Grant Funding
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
FY 2023-24	\$3,167,400 GF/GP	\$220,617,400 GF/GP \$300,000 Restricted

# MIDC Grant Approvals



# FY 2021-22 Indigent Defense System Costs



\*Data from 2022 MIDC Report  
House Fiscal Agency

# Department Grant Programs

**Firefighter Training (\$2.3 million Gross):** 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 (\$9.9 million Gross):** 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.

**Marihuana Operation & Oversight (\$3.0 million Gross):** 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 (\$5.5 million GF/GP 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.

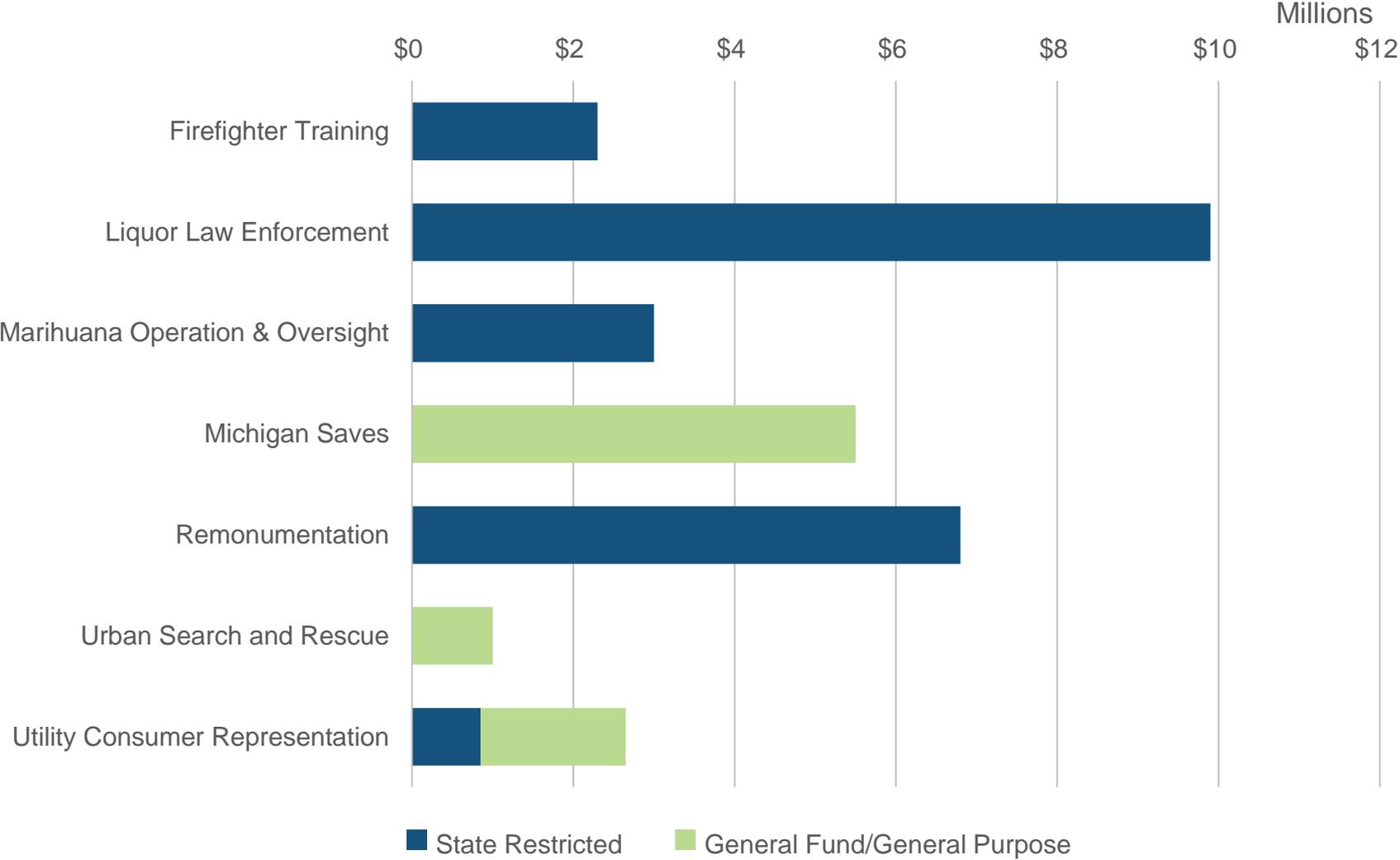
# Department Grant Programs (Continued)

**Remonumentation (\$6.8 million Gross):** 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 (\$1.0 million GF/GP):** 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 (\$850,000 Gross):** Administered by the Utility Consumer Participation Board (UCPB) and 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 pertain to utility rates.

# Department Grant Appropriations



# FY 2023-24 One-Time Appropriations

- **Bureau of Fire Services, Smoke Detectors – \$1.0 million GF/GP** for purchasing and distributing smoke detectors to Michiganders.
- **Bureau of Survey and Certification – \$1.2 million GF/GP** to support health care provider survey and investigation activities and to ensure compliance with statutory changes.
- **CRA Reference Laboratory – \$2.8 million** in state restricted authorization to support equipment purchases and necessary construction for the creation of a lab.
- **CRA Social Equity Program – \$1.0 million** in state restricted authorization to support a CRA program that promotes participation in the cannabis sector by people from communities that have been disproportionately impacted by marijuana prohibition and enforcement.
- **Corporations Online Filing Modernization – \$2.7 million** in state restricted authorization to modernize a heavily used filing system.

# FY 2023-24 One-Time Appropriations (Continued)

- **Premanufactured Unit Plan Review Upgrades – \$350,000 GF/GP** to implement changes to decrease the average length of time that it takes to process and review premanufactured unit plan submissions (modular homes).
- **Utility Consumer Representation Grants – \$1.8 million GF/GP** to provide additional funding for the grants (see slide 25 for more information on the program).
- It should be noted that Michigan Saves and Renewable Energy and Electrification Infrastructure Enhancement and Development are also one-time appropriations and are discussed on slides 25 and 16, respectively.

# For more information about the Licensing and Regulatory Affairs budget:

## HFA Resources

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

## Contact Information

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