

**Summary: Executive Budget Recommendation  
for Fiscal Year 2016-17  
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS**



**Analyst: Paul B.A. Holland**

	FY 2015-16 Year-to-Date as of 2/10/16	FY 2016-17 Executive	Difference: FY 2016-17 Vs. FY 2015-16	
			Amount	%
<b>IDG/IDT</b>	\$46,068,700	\$46,923,800	\$855,100	1.9
<b>Federal</b>	63,674,900	63,818,100	143,200	0.2
<b>Local</b>	679,000	251,600	(427,400)	(62.9)
<b>Private</b>	341,300	314,100	(27,200)	(8.0)
<b>Restricted</b>	258,603,600	262,446,700	3,843,100	1.5
<b>GF/GP</b>	40,481,500	42,813,200	2,331,700	5.8
<b>Gross</b>	<b>\$409,849,000</b>	<b>\$416,567,500</b>	<b>\$6,718,500</b>	<b>1.6</b>
<b>FTEs</b>	2,221.8	2,234.8	13.0	0.6

Notes: (1) FY 2015-16 year-to-date figures include mid-year budget adjustments through February 10, 2016. (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 primarily responsible for overseeing various agencies and programs that implement, administer, and enforce numerous statutes and rules regulating commercial and occupational, construction and fire safety, health care and human service, energy and public utility, and alcoholic beverage activities, entities, and facilities. Agencies within LARA are also responsible for implementing, administering, and enforcing workers' compensation requirements, occupational safety and health standards, and labor and wage laws, as well as providing vocational rehabilitation services for the blind and coordinating employment services for immigrants. Lastly, agencies within LARA conduct and adjudicate administrative hearings, supervise administrative rulemaking, and evaluate regulatory requirements and administrative processes for departments and agencies throughout state government.

<b>Major Budget Changes From FY 2015-16 Year-to-Date (YTD) Appropriations</b>	<b>FY 2015-16 YTD (as of 2/10/16)</b>		<b>Executive Change from YTD</b>
<b>1. Michigan Automated Prescription System (Partial One-Time)</b>	FTE	NA	9.0
Increases spending and staff authorization (\$2.5 million of which is one-time) to support the upgrade of IT components and enhance the staffing for the Michigan Automated Prescription System (MAPS), which is accessed to identify and prevent drug diversion by tracking controlled substances prescriptions, in accordance with the recommendations of the Michigan Prescription Drug and Opioid Abuse Task Force.	<b>Gross</b>	<b>NA</b>	<b>\$4,490,000</b>
	GF/GP	NA	\$4,490,000
<b>2. Electric Reliability and Resiliency Programs</b>	FTE	183.0	5.0
Increases spending and staff authorization to support interagency cooperation and programs implemented by the Michigan Agency for Energy (MAE) and the Public Service Commission (PSC) related to energy mandates, emergency coordination, electric resiliency, demand response, waste reduction, and reliability expenditures and funded with annual assessments levied on investor-owned and cooperative electric, natural gas, and telecommunication utilities.	<b>Gross</b>	<b>\$33,802,700</b>	<b>\$984,300</b>
	Federal	5,155,100	0
	Private	30,000	0
	Restricted	28,067,600	984,300
	GF/GP	\$550,000	\$0
<b>3. Liquor Control Commission IT Systems (One-Time)</b>	<b>Gross</b>	<b>NA</b>	<b>\$1,560,000</b>
Includes one-time spending authorization to support the upgrade of three IT systems utilized by the Liquor Control Commission (LCC) to improve business processes related to the state's liquor wholesale operations.	Restricted	NA	1,560,000
<b>4. FY 2015-16 Flint Water Emergency Supplemental Appropriations</b>	FTE	1.0	(1.0)
Removes spending and staff authorization supporting the inspection and replacement (if lead levels exceed 15 ppb) of plumbing fixtures installed in educational, human service, and healthcare facilities located within the City of Flint and performed under the direction of the Bureau of Construction Codes (BCC).	<b>Gross</b>	<b>\$2,200,000</b>	<b>(\$2,200,000)</b>
	Restricted	200,000	(200,000)
	GF/GP	\$2,000,000	(\$2,000,000)

<b>Major Budget Changes From FY 2015-16 Year-to-Date (YTD) Appropriations</b>		<b>FY 2015-16 YTD (as of 2/10/16)</b>	<b>Executive Change from YTD</b>
<b>5. Detroit Demolition Permit Assistance</b>	<b>Gross</b>	<b>\$800,000</b>	<b>(\$800,000)</b>
Eliminates spending authorization which supported permitting activities administered by the Bureau of Construction Codes (BCC) and related to demolition and blight elimination projects undertaken within the City of Detroit; the City resumed these permitting duties during October 2015.	Restricted	800,000	(800,000)
<b>6. Distance Education Reciprocal Agreements</b>	<b>Gross</b>	<b>\$0</b>	<b>\$300,000</b>
Includes spending authorization to support administrative expenses incurred under the Higher Education Authorization and Distance Education Reciprocal Exchange Act and financed with revenue generated by statutory fees levied on accredited colleges and universities located within and without the state and authorized to participate in reciprocal agreements between the state and other states or higher education compacts entered into by LARA pursuant to the Act.	Restricted	0	300,000
<b>7. Technical Authorization Adjustments and Fund Shifts</b>	FTE	631.9	0.0
Reflects net impact of multiple adjustments to spending and staff authorizations for numerous funds affecting various line items to more accurately reflect available and appropriate revenues and align authorization with actual operations; technical adjustments may involve increasing or decreasing spending or staff authorization or shifting authorization between fund sources within a single line item or transferring spending or staff authorization between line items.	<b>Gross</b>	<b>\$106,483,900</b>	<b>(\$3,230,800)</b>
	IDG/IDT	16,726,500	(100,000)
	Federal	22,424,400	(595,200)
	Local	429,000	(429,000)
	Private	232,300	(30,000)
	Restricted	45,997,000	(1,367,600)
	GF/GP	\$20,674,700	(\$709,000)
<b>8. Early Out Five-Year Payouts</b>	<b>Gross</b>	<b>\$934,700</b>	<b>(\$934,700)</b>
Recognizes the end of employee accumulated leave-time payouts from the 2010 early retirement incentive, which were spread out over 5 years.	IDG/IDT	37,800	(37,800)
	Federal	263,300	(263,300)
	Restricted	616,100	(616,100)
	GF/GP	\$17,500	(\$17,500)
<b>9. Economic Adjustments</b>	<b>Gross</b>	<b>NA</b>	<b>\$6,549,700</b>
Reflects increased costs for negotiated salary and wage increases (1.0% ongoing, 1.5% lump sum), insurance rate increases, actuarially required retirement contributions, and other economic adjustments.	IDG/IDT	NA	992,900
	Federal	NA	1,001,700
	Local	NA	1,600
	Private	NA	2,800
	Restricted	NA	3,982,500
	GF/GP	NA	\$568,200

**Major Boilerplate Changes From FY 2015-16**

- Sec. 205. Metrics for New Programs or Program Enhancements – DELETED**  
Requires LARA to provide a list identifying program-specific metrics intended to measure performance based on a return on taxpayer investment and update the Legislature on its progress in tracking metrics and the status of program success.
- Sec. 212. Record Retention – DELETED**  
Requires LARA to retain all records in accordance with state and federal guidelines.
- Sec. 215. Communications with the Legislature – DELETED**  
Prohibits LARA from taking disciplinary action against an employee for communicating with a member of the Legislature or its staff.
- Sec. 219. Office Space Consolidation Plan – DELETED**  
Requires LARA to submit a report describing the amount of office space paid for and the amount actually utilized during the previous year and the amount estimated to be utilized during the current and subsequent years.
- Sec. 232. Television and Radio Productions – DELETED**  
Prohibits LARA from developing or producing television or radio productions.
- Sec. 241. Informational, Training, and Special Events Revenues and Expenditures – REVISED**  
Stipulates that LARA may charge registration fees for events sponsored by LARA, that fees shall reflect costs of sponsoring events, that revenue generated by fees is appropriated for sponsorship costs, that excess revenue shall carry-forward, requires annual report pertaining to revenues and expenditures related to events, and limits authorization to \$500,000. Revises to eliminate reporting requirement.

## **Major Boilerplate Changes From FY 2015-16**

### ***Sec. 243. Reinventing Performance in Michigan MOUs – DELETED***

Requires LARA to work to establish memorandums of understanding (MOUs) with participating state departments to devise a mechanism to recover costs related to services performed for the Reinventing Performance in Michigan (RPM) initiative and submit an annual report on the RPM and associated MOUs.

### ***Sec. 245. Healthy Michigan Plan Accounting Structure – REVISED***

Requires LARA in conjunction with the Department of Health and Human Services (DHHS) to maintain accounting structures within MAIN which will facilitate the identification of expenditures associated with the Healthy Michigan Plan and requires LARA to annually provide the Legislature with relevant accounting scripts and reports. Revises by eliminating requirement to provide accounting scripts and reports to the Legislature.

### ***Sec. 248. Regulatory Statistical Report – DELETED***

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 regulatory agencies within LARA.

### ***Sec. 252. Departmental Employee Performance Monitoring Process – DELETED***

Stipulates legislative intent that LARA establish a consistent employee performance monitoring process and submit a report pertaining to planned or implemented changes to that process.

### ***Sec. 507. Medical Marihuana Program Report and Fees – REVISED***

Requires LARA to submit a report pertaining to the revenue, expenditures, application determinations, and timeliness of the Medical Marihuana Program and other specified information. Revises to eliminate delineated reporting requirements.

### ***Sec. 512. Public Availability of BHCS Disciplinary Actions – DELETED***

Requires the Bureau of Health Care Services (BHCS), to the extent allowed under applicable laws, to make disciplinary actions taken against health professionals publically available through a license verification website.

### ***Sec. 514. Number of Child Care Licensing Consultants and Staff – DELETED***

Requires the Bureau of Children and Adult Licensing (BCAL) to expend the interdepartmental grant from the Department of Education to increase the number of child care licensing consultants and staff who perform monitoring visits to licensees and applicants for licensure and submit a report to the Legislature detailing improvements achieved due to increased consultants and staff.

### ***Sec. 515. Authorization to Assess Regulatory Fees on Child and Adult Care Facilities – NEW***

Authorizes LARA to assess and collect fees associated with the licensing and regulation of child care organizations and adult foster care facilities as defined pursuant to statute.

### ***Sec. 705. Vocational Rehabilitation Matching Funds – DELETED***

Requires the Bureau of Services for Blind People (BSBP) to work collaboratively with service organizations and governments to identify match dollars and maximize federal vocational rehabilitation funds.

### ***Sec. 706. Youth Low-Vision Program Report – DELETED***

Requires LARA to submit an annual report to the Legislature pertaining to the operations and expenditures of the Youth Low-Vision Program administered by the Bureau of Services for Blind People (BSBP).

### ***Sec. 902. Medical Marihuana Registry Cards Report and Grants to County Law Enforcement – REVISED***

Requires LARA to submit a report pertaining to the number of medical marihuana registry identification cards issued or renewed in each county; stipulates that LARA award Medical Marihuana Operation and Oversight Grants to county sheriffs' offices; requires reports submitted by both county sheriffs' offices and LARA pertaining to the amounts, recipients, and uses of the grants; and permits county sheriffs' offices to distribute discretionary grants to municipal law enforcement agencies. Revises to modify reporting date and direct LARA to collaborate with law enforcement entities regarding the availability of grant funds.

### ***Sec. 903. Firefighter Training Grants – REVISED***

Requires that the appropriation be expended for payments to counties and purposes pursuant to 1966 PA 291, stipulates intent pertaining to how the appropriation is disbursed to counties and specifying a minimum disbursement to each county, requires an annual report identifying potential and actual disbursements and other expenditures, and stipulates intent that unexpended disbursements lapse back into the restricted fund are appropriated in the next fiscal year. Revises to remove the declaration that the stipulations pertaining to disbursement of grants are legislative intent and eliminates intent language directing the Legislature to appropriate grant funds unexpended during the preceding year.

### ***Sec. 905. Performance Metrics for LCC IT Upgrades – NEW***

Requires LARA to maintain customer service standards of the Liquor Control Commission (LCC) and identify specific outcomes and performance metrics for the upgrades of LCC information technology systems.

### ***Sec. 906. Performance Metrics for MAPS IT Upgrades and Staffing Enhancement – NEW***

Requires LARA to provide improved efficiencies, functionality, and reporting capabilities of the Michigan Automated Prescription System (MAPS) and identify specific outcomes and performance metrics for the upgrade and enhancement of the MAPS.

**Other Supplemental Recommendations for FY 2015-16 Appropriations**

**FY 2015-16  
Recommendation**

***1. Distance Education Reciprocal Agreements***

Includes spending authorization to support administrative expenses incurred under the Higher Education Authorization and Distance Education Reciprocal Exchange Act and financed with revenue generated by statutory fees levied on accredited colleges and universities located within and without the state and authorized to participate in reciprocal agreements between the state and other states or higher education compacts entered into by LARA pursuant to the Act.

**Gross**  
Restricted

**\$300,000**  
300,000