

# FY 2014-15: DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT



## Summary: As Reported by House Appropriations Committee Article I, House Bill 5313 (H-1)

Analyst: Paul Holland

|                   | FY 2013-14 YTD<br>as of 2/5/14 | FY 2014-15<br>Executive | FY 2014-15<br>House | FY 2014-15<br>Senate | FY 2014-15<br>Enacted | Difference: House<br>From FY 2013-14 YTD |            |
|-------------------|--------------------------------|-------------------------|---------------------|----------------------|-----------------------|--|------------|
|                   |                                |                         |                     |                      |                       | Amount                                   | %          |
| <b>IDG/IDT</b>    | \$524,300                      | \$318,100               | \$318,100           |                      |                       | (\$206,200)                              | (39.3)     |
| <b>Federal</b>    | 9,960,900                      | 9,198,300               | 9,212,900           |                      |                       | (748,000)                                | (7.5)      |
| <b>Local</b>      | 0                              | 0                       | 0                   |                      |                       | 0  | --         |
| <b>Private</b>    | 96,900                         | 98,300                  | 98,300              |                      |                       | 1,400                                    | 1.4        |
| <b>Restricted</b> | 29,020,900                     | 28,003,400              | 29,893,200          |                      |                       | 872,300                                  | 3.0        |
| <b>GF/GP</b>      | 40,580,300                     | 44,876,200              | 42,876,100          |                      |                       | 2,295,800                                | 5.7        |
| <b>Gross</b>      | <b>\$80,183,300</b>            | <b>\$82,494,300</b>     | <b>\$82,398,600</b> |                      |                       | <b>\$2,215,300</b>                       | <b>2.8</b> |
| <b>FTEs</b>       | 440.0                          | 452.0                   | 446.0               |                      |                       | 6.0                                      | 1.4        |

Notes: (1) FY 2013-14 year-to-date figures include mid-year budget adjustments through February 5, 2014. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) Executive figures do not reflect revisions submitted subsequent to House subcommittee action.

### Overview

The Department of Agriculture and Rural Development (DARD) is responsible for regulating and promoting Michigan's agriculture and food industries in collaboration with the Michigan Commission of Agriculture and Rural Development, industry stakeholders, and citizens. DARD is organized into the following programmatic divisions: Animal Industry, which mitigates and eradicates infectious and contagious diseases, toxic substance contamination, and inhumane treatment affecting livestock and pets; Environmental Stewardship, which promotes resource sustainability and protects the natural environment in collaboration with conservation districts, drain commissioners, and landowners; Food and Dairy, which ensures the safety and sanitation of food and dairy products through inspection and licensure of suppliers and investigations of foodborne illness incidents; Pesticide and Plant Pest Management, which manages plant pest and disease prevention and regulates seed, plant, grain, and feed products and storage and the manufacture and use of pesticides and fertilizers; and Laboratory, which tests and analyzes groundwater, plant seeds, livestock, food and dairy products, and motor fuels and verifies nutritional labeling and weighting and measuring devices. Additionally, the Office of Agriculture Development promotes international marketing; endeavors to attract, expand, and retain jobs and investment; and administers various grant programs.

### Major Budget Changes From FY 2013-14 YTD Appropriations

#### 1. Food Safety and Inspections

Executive increases spending (\$1.2 million GF/GP) and staff (8.0 FTE) authorization to enhance inspections of and safety programs for food establishments. According to DARD, 55.0% of food establishments inspected in December of 2013 were in compliance with the Michigan Food Law of 2012. During FY 2012-13, GF/GP supported 61.0% of food safety and inspection expenditures. House partly concurs, but reduces spending and staff authorization increases.

|              | FY 2013-14<br>Year-to-Date<br>(as of 2/5/14) | FY 2014-15<br>House<br>Change |
|--------------|--|-------------------------------|
| FTE          | 75.0   | 6.0                           |
| <b>Gross</b> | <b>\$10,881,200</b>                          | <b>\$860,000</b>              |
| Federal      | 1,039,600                                    | 0                             |
| Restricted   | 3,390,000                                    | 0                             |
| GF/GP        | \$6,451,600                                  | \$860,000                     |

#### 2. Dairy Safety and Inspections

Executive increases spending (\$600,000 GF/GP) and staff (4.0 FTE) authorization to enhance inspections of and safety programs dairy producers. According to DARD, 91.3% milk safety inspections met national enforcement standards. During FY 2012-13, GF/GP supported 94.1% of dairy/milk safety expenditures. House rejects.

|              | FY 2013-14<br>Year-to-Date<br>(as of 2/5/14) | FY 2014-15<br>House<br>Change |
|--------------|--|-------------------------------|
| FTE          | 26.0   | 0.0                           |
| <b>Gross</b> | <b>\$3,821,300</b>                           | <b>\$0</b>                    |
| Federal      | 240,600                                      | 0                             |
| Restricted   | 254,400                                      | 0                             |
| GF/GP        | \$3,326,300                                  | \$0                           |

| <b>Major Budget Changes From FY 2013-14 YTD Appropriations</b>  |  | <b>FY 2013-14<br/>Year-to-Date<br/>(as of 2/5/14)</b>                    | <b>FY 2014-15<br/>House<br/>Change</b>  |
|---|--|--|---|
| <b>3. Strategic Growth Initiative (One-Time)</b>  |  |  |   |
| <u>Executive</u> includes one-time spending authorization (\$2.0 million) for the Strategic Growth Initiative (SGI) grant program which is intended to increase the economic impact of the food and agriculture industry. The FY 2013-14 DARD budget included \$1.0 million in ongoing GF/GP for the SGI within the DARD budget. Additionally, boilerplate Sec. 711(2) authorized DARD to receive and expend funds from the Michigan Economic Development Corporation (MEDC) which committed \$2.0 million for the SGI during FY 2013-14. MEDC funds are not anticipated for FY 2014-15. <u>House</u> partly concurs, but reduces amount. | <b>Gross</b><br>GF/GP  | N/A<br>N/A   | <b>\$1,750,000</b><br>\$1,750,000   |
| <b>4. Qualified Forest Program</b>  | FTE  | 5.0  | 0.0   |
| <u>Executive</u> transfers spending authorization for the Qualified Forestry Program (QFP, modified by 2013 PAs 42 through 50) included in 2013 PA 59 as a one-time appropriation to the ongoing baseline. The 5.0 FTEs added by the FY 2013-14 DARD budget for the QFP were filled and work with landowners, local units of government, and conservation districts to verify affidavits, monitor Forestry Management Plans, provide training and outreach, audit property tax receipts, and develop and oversee forestry grants. (See #8 below.) <u>House</u> partly concurs, but subsequent reduces transferred amount.                 | <b>Gross</b><br>IDG/IDT<br>GF/GP                                     | <b>\$200,000</b><br>200,000<br>\$0                                       | <b>\$1,700,000</b><br>0<br>\$1,700,000  |
| <b>5. Pesticide and Plant Pest Management</b>   | FTE  | 81.0   | 0.0   |
| <u>Executive</u> transfers spending authorization for the Pesticide and Plant Pest Management Division (PPPM) included in the FY 2013-14 DARD budget as a one-time appropriation, due to insufficient restricted revenue generated by statutory fees and past reductions in General Fund appropriations, to the ongoing baseline. For example, PPPM staff inspects and certifies horticultural and agricultural products for export; during FY 2012-13, PPPM expended \$1.0 million to issue 3,822 export certificates while related inspection fees generated \$231,750 in revenue. (See #8 below.) <u>House</u> concurs.                | <b>Gross</b><br>Federal<br>Private<br>Restricted<br>GF/GP            | <b>\$10,996,300</b><br>1,778,500<br>20,400<br>4,460,800<br>\$4,736,600   | <b>\$800,000</b><br>0<br>0<br>0<br>\$800,000                                  |
| <b>6. Capital Outlay</b>  | <b>Gross</b><br>Restricted   | <b>\$300,000</b><br>300,000  | <b>(\$300,000)</b><br>(300,000)   |
| <u>Executive</u> eliminates appropriation for DARD acquisition of development rights for unique or critical farmland and open space pursuant to Parts 361 and 362 of 1994 PA 451 because of lack of available revenue from the Agricultural Preservation Fund. <u>House</u> concurs.  |  |  |   |
| <b>7. Align with Available and Appropriate Revenues</b>   | <b>Gross</b><br>IDG/IDT<br>Federal<br>Private<br>Restricted<br>GF/GP | <b>\$2,588,000</b><br>210,200<br>1,333,400<br>20,000<br>1,024,400<br>\$0 | <b>(\$1,182,300)</b><br>(210,200)<br>(833,400)<br>0<br>(758,100)<br>\$619,400 |
| <u>Executive</u> increases and decrease spending authorizations, for numerous funds affecting various line items to more accurately reflect available and appropriate revenues; results in a net decrease overall, but a net increase of GF/GP. <u>House</u> partly concurs, but reduces federal reduction for Milk Safety and Quality Assurance line item.   |  |  |   |
| <b>8. FY 2013-14 One-Time Appropriations</b>  | <b>Gross</b><br>GF/GP  | <b>\$3,400,000</b><br>\$3,400,000  | <b>(\$3,400,000)</b><br>(\$3,400,000)   |
| <u>Executive</u> eliminates FY 2013-14 one-time appropriations for qualified forest affidavit program (\$2.3 million, see #4 above), pesticide and plant pest management (\$800,000, see #5 above), and the Ottawa County water resources study (300,000 GF/GP). <u>House</u> concurs.  |  |  |   |
| <b>9. Economic Adjustments</b>  | <b>Gross</b><br>IDG/IDT<br>Federal<br>Private<br>Restricted<br>GF/GP | N/A<br>N/A<br>N/A<br>N/A<br>N/A<br>N/A                                   | <b>\$347,900</b><br>4,000<br>85,400<br>1,400<br>40,600<br>\$216,500           |
| <u>Executive</u> increases and decreases spending authorization, resulting in a net increase, for negotiated salary and wage increases, insurance rates, actuarially-required retirement benefit rates, other postemployment benefits prefunding, workers' compensation costs, building occupancy costs and rent, and other incidental economic adjustments. <u>House</u> concurs.  |  |  |   |
| <b>10. Michigan Agriculture Environmental Assurance Program</b>   | FTE  | 7.0  | 0.0   |
| <u>House</u> decreases GF/GP spending authorization for the Michigan Agriculture Environmental Assurance Program (MAEAP) in order to achieve the House GF/GP spending target.   | <b>Gross</b><br>Restricted<br>GF/GP                                  | <b>\$1,668,800</b><br>333,200<br>\$1,335,600                             | <b>(\$300,000)</b><br>0<br>(\$300,000)  |

|   |              | FY 2013-14<br>Year-to-Date<br>(as of 2/5/14) | FY 2014-15<br>House<br>Change |
|---|--------------|--|-------------------------------|
| <b>Major Budget Changes From FY 2013-14 YTD Appropriations</b>  |              |  |                               |
| <b>11. Michigan Agriculture Environmental Assurance Program</b>   | FTE          | N/A  | 0.0                           |
| <u>House</u> transfers spending authorization (\$2,600,000 from the Freshwater Protection Fund) and staff (8.0 FTEs) from the Environmental Stewardship line item to the Michigan Agriculture Environmental Assurance Program (MAEAP) line item in order to clarify the amount of spending authorization available for the MAEAP. (See boilerplate Sec. 605.)   | <b>Gross</b> | <b>N/A</b>                                   | <b>\$0</b>                    |
|   | Federal      | N/A  | 0                             |
|   | Restricted   | N/A  | 0                             |
|   | GF/GP        | N/A  | \$0                           |
| <b>12. Local Conservation Districts</b>   | FTE          | N/A  | 0.0                           |
| <u>House</u> transfers spending authorization (\$2,173,800 in federal and restricted revenues) from the Environmental Stewardship line item to the Local Conservation Districts line item in order to clarify the amount of spending authorization available for local conservation districts. (See boilerplate Sec. 603.)  | <b>Gross</b> | <b>N/A</b>                                   | <b>\$0</b>                    |
|   | Federal      | N/A  | 0                             |
|   | Restricted   | N/A  | 0                             |
|   | GF/GP        | N/A  | \$0                           |
| <b>13. Local Conservation Districts</b>   | <b>Gross</b> | <b>\$100</b>                                 | <b>(\$100)</b>                |
| <u>House</u> eliminates the placeholder for the Local Conservation Districts line item.   | GF/GP        | \$100  | (\$100)                       |
| <b>14. Shows and Expositions</b>  | <b>Gross</b> | <b>N/A</b>                                   | <b>\$50,000</b>               |
| <u>House</u> includes spending authorization for competitive matching grants for equine, livestock, and other agricultural commodity shows and expositions. (See new boilerplate Sec. 804.)   | GF/GP        | N/A  | \$50,000                      |
| <b>15. Increase Funding for Horse Racing Programs</b>   | <b>Gross</b> | <b>\$2,810,600</b>                           | <b>\$1,889,800</b>            |
| <u>House</u> increases spending authorization for various line items for horse racing purses, supplements, awards, and stakes; increased spending authorization is supported with revenue from the Agriculture Equine Industry Development Fund (AEIDF) and is available because AEIDF spending authorization has been eliminated within the budget for the Michigan Gaming Control Board (MGCB) which regulates the horse racing industry. (See boilerplate Sec. 802.) | Restricted   | \$2,810,600                                  | \$1,889,800                   |

**Major Boilerplate Changes From FY 2013-14**

**Sec. 232. Annual Legacy Costs – NEW**

Identifies annual pension-related and retiree health care legacy costs for DIFS as pursuant to boilerplate Section 1202 of 2013 PA 59. Executive creates, House concurs.

**Sec. 603. Local Conservation Districts Appropriation – NEW**

Stipulates the allocation of funds to local conservation districts for environmental conservation and protection programs and training. House creates.

**Sec. 605. MAEAP Expenditure Limitation – NEW**

Prohibits expenditures for administration or implementation of the Michigan Agriculture Environmental Assurance Program (MAEAP) in amounts other than the amount appropriated. House creates.

**Sec. 802. Agriculture Equine Fund Reduction – REVISED**

Stipulates that appropriations from the Agriculture Equine Industry Development Fund (AEIDF), with specified exceptions, shall be proportionally reduced if revenues deposited into the AEIDF during the previous fiscal year are lower than the amounts appropriated. House eliminates exception for the racing commission which was eliminated by E.O. 2009-45 and includes exception for DARD administrative expenses.

**Sec. 803. Thoroughbred Program Escrow – REVISED**

Stipulates that if there is no live thoroughbred race meet during the fiscal year, the thoroughbred purse and program money shall be held in escrow for up to 18 months and that if there is no live thoroughbred race meet in the subsequent year, the purse pool distribution shall be the same as the distribution in the previous year. Executive eliminates, House retains but eliminates language pertaining to purse pool distributions by the Michigan Gaming Control Board (MGCB).

**Sec. 804. Michigan Gaming Control Board Costs – DELETED**

Requires the Michigan Gaming Control Board (MGCB) to utilize actual expenditure data in determining the actual regulatory costs of conducting horse racing and shall provide that data to the Legislature and stipulates procedures to rectify regulatory costs with a certified horseman's organization funds and future race meets. Executive eliminates, House concurs.

## **Major Boilerplate Changes From FY 2013-14**

### ***Sec. 804. Shows and Expositions Grants – NEW***

Stipulates that amounts appropriation for shows and expositions are to financially support equine, livestock, and other agricultural commodity expositions in Michigan, specifies procedures for a competitive matching grant program for such financial support, and requires annual report pertaining to grants for shows and expositions. House creates.

### ***Sec. 1002. Capital Outlay Lump-Sum Payments – DELETED***

Requires DARD to allocate lump-sum payments consistent with statutory provisions and the purposes for which funds are appropriated, addressing priority program and facility needs, and stipulates that the State Budget Director may authorize lump-sum appropriations to be available for no more than three subsequent fiscal years, with remaining appropriations lapsing into the originating funds. Executive eliminates, House concurs.

### ***Sec. 1003. Capital Outlay Carryforward – DELETED***

Stipulates that the appropriations for capital outlay me be carried forward pursuant to Section 248 of the Management and Budget Act of 1984. Executive eliminates, House concurs.

### ***Sec. 1104. Ottawa County Water Resources Study – DELETED***

Stipulates that the appropriation for the Ottawa County Water Resources Study shall utilize local partnership with stakeholder groups representing groundwater and public water supplies, delimitates the scope of the study, and requires the findings to be made available to DARD and DEQ. Executive eliminates, House concurs.

### ***Various Sections Deleted by Executive, Retained by House***

Executive eliminates Sections 212, 215, 302, 402, 453, 454 (partial), 456, 457, 458, 607, 701(5) & (6), 706, 709, and 801; House rejects.