



Budget Briefing: Agriculture and Rural Development

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Briefing Topics

- Funding Sources
- Appropriation Areas
- Major Budget Topics

Michigan Department of Agriculture and Rural Development

The Michigan Department of Agriculture and Rural Development (MDARD) was originally established as the Department of Agriculture through Public Act 13 of 1921 “to foster and promote in every possible way the agricultural interests of this state...” Public Act 13 also established the five-member, bi-partisan Commission of Agriculture. In 2011, Executive Order 2011-2 renamed the department and the commission to include “Rural Development” in the respective names.

- The MDARD budget supports the following programs and activities:
 - Food safety and quality assurance
 - Protection of animal and plant health
 - Environmental stewardship
 - Consumer protection
 - Promotion of rural development and growth of agriculture industry

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

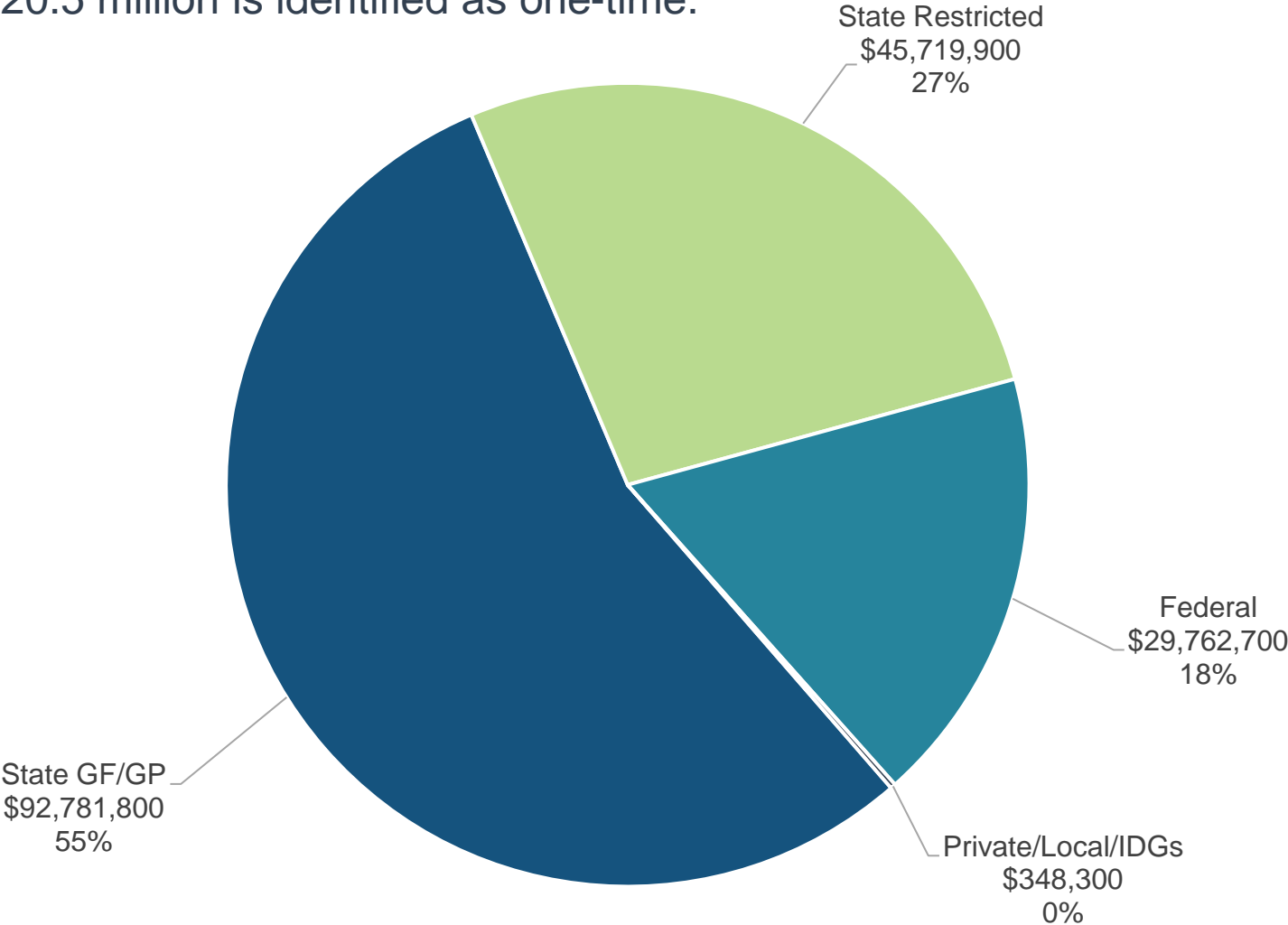
FY 2023-24 MDARD Budget

Fund Source	Funding	Description
Gross Appropriations	\$168,612,700	Total spending authority from all revenue sources
Interdepartmental Grants (IDG) Revenue	327,000	Funds received by one state department from another state department, usually for services provided
Adjusted Gross Appropriations	\$168,285,700	Gross appropriations excluding IDGs; avoids double counting when adding appropriation amounts across budget areas
Federal Revenue	29,762,700	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	21,300	Revenue from individuals and private entities, including payments for services, grants, and other contributions
State Restricted Revenue	45,719,900	State revenue restricted by the State Constitution, state statute, or outside restriction so that revenue is available only for specified purposes; includes most fee revenue
State General Fund/General Purpose (GF/GP) Revenue	\$92,781,800	Unrestricted revenue from taxes and other sources available to fund basic state programs and other purposes determined by the legislature

Note: This table and other figures used in this presentation reflect the budget authorized under Article 1, 2023 PA 119.

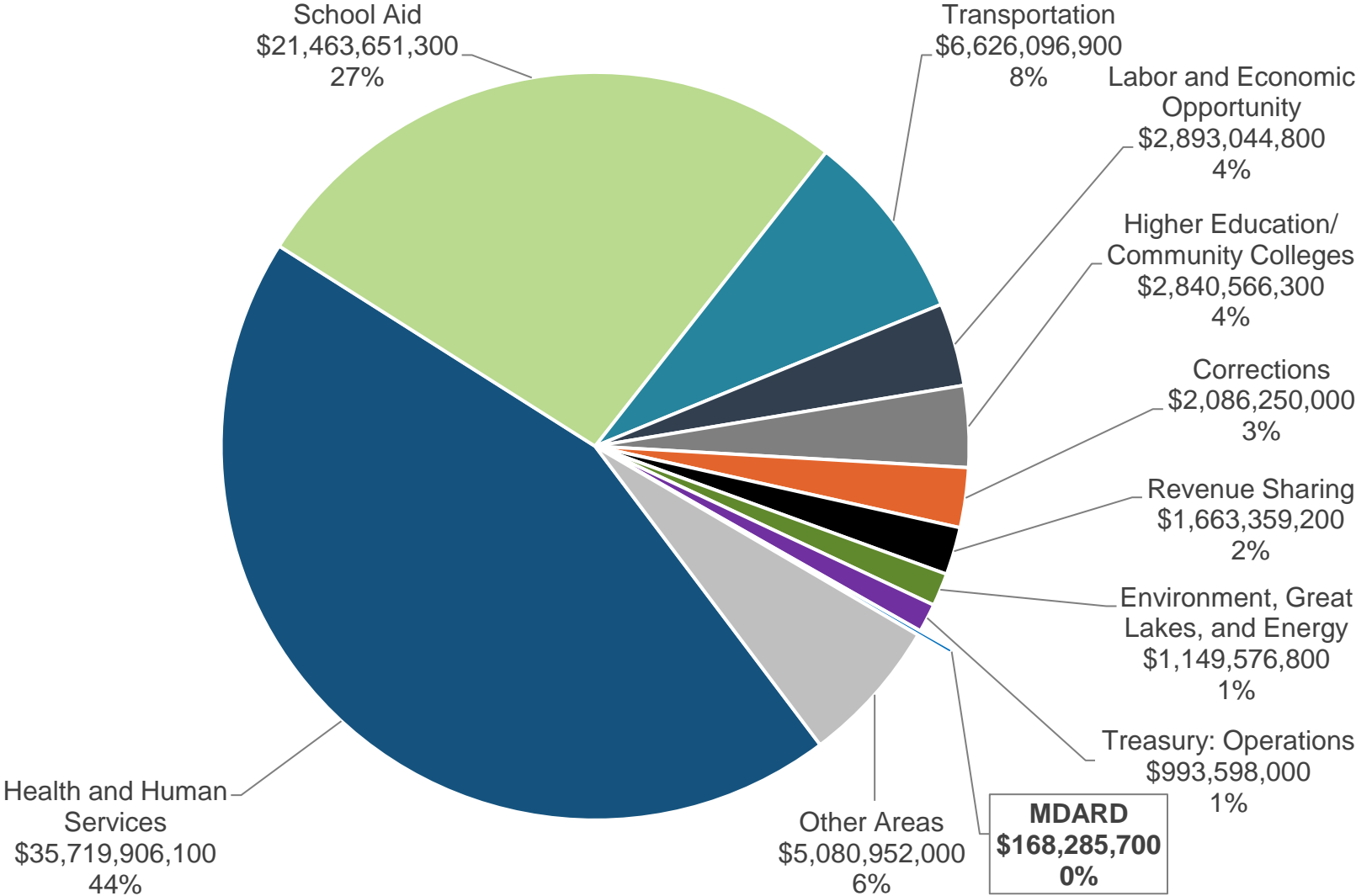
FY 2023-24 Fund Sources

The state GF/GP appropriation of \$92.8 million is the largest revenue source in the \$168.6 million MDARD budget - equal to 55% of the budget. Of the \$92.8 million GF/GP, \$20.5 million is identified as one-time.



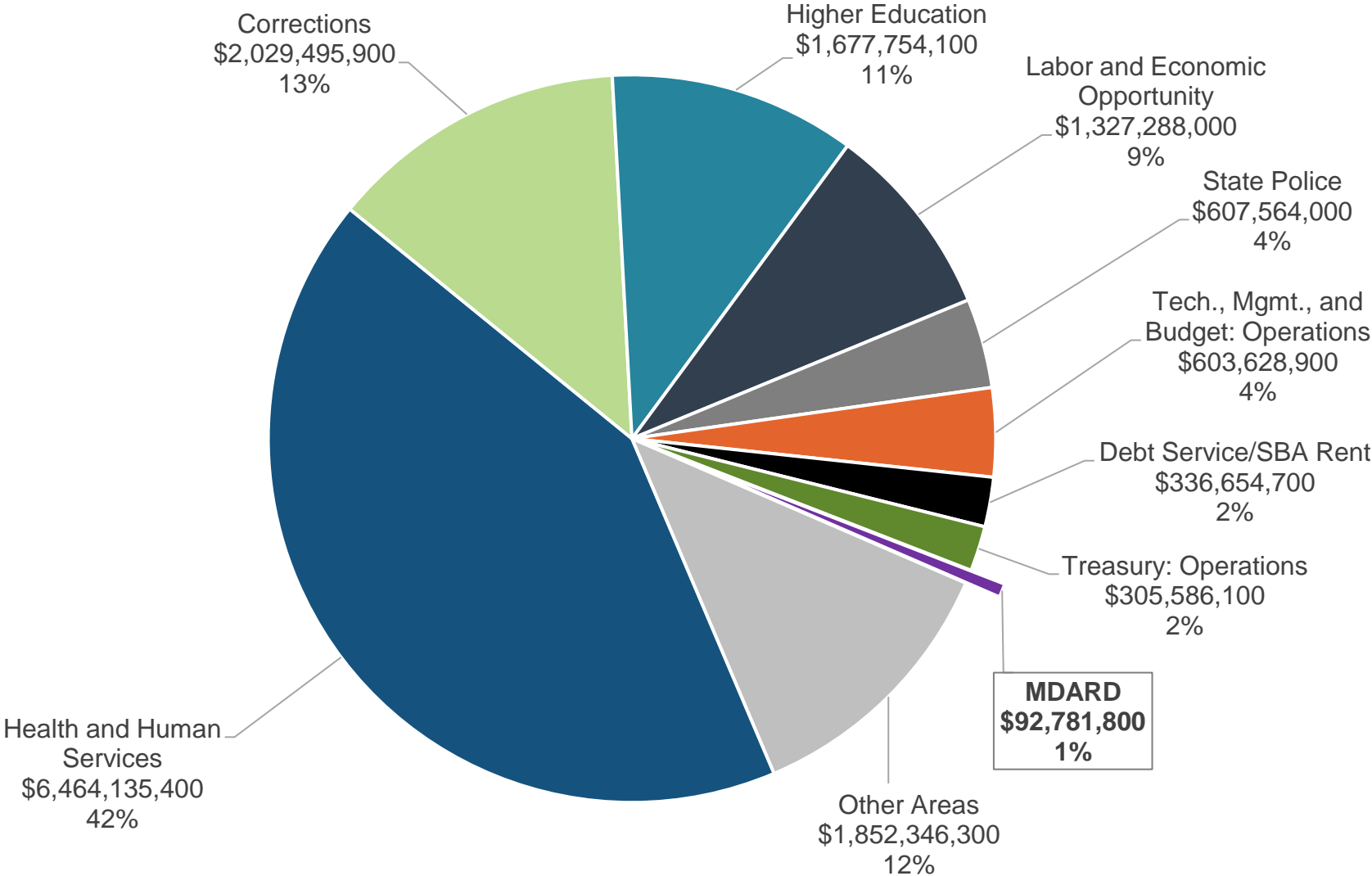
MDARD Share of Total State Budget

The MDARD budget represents less than 1% percent of the **\$80.7 billion** state budget (adjusted gross) for FY 2023-24.



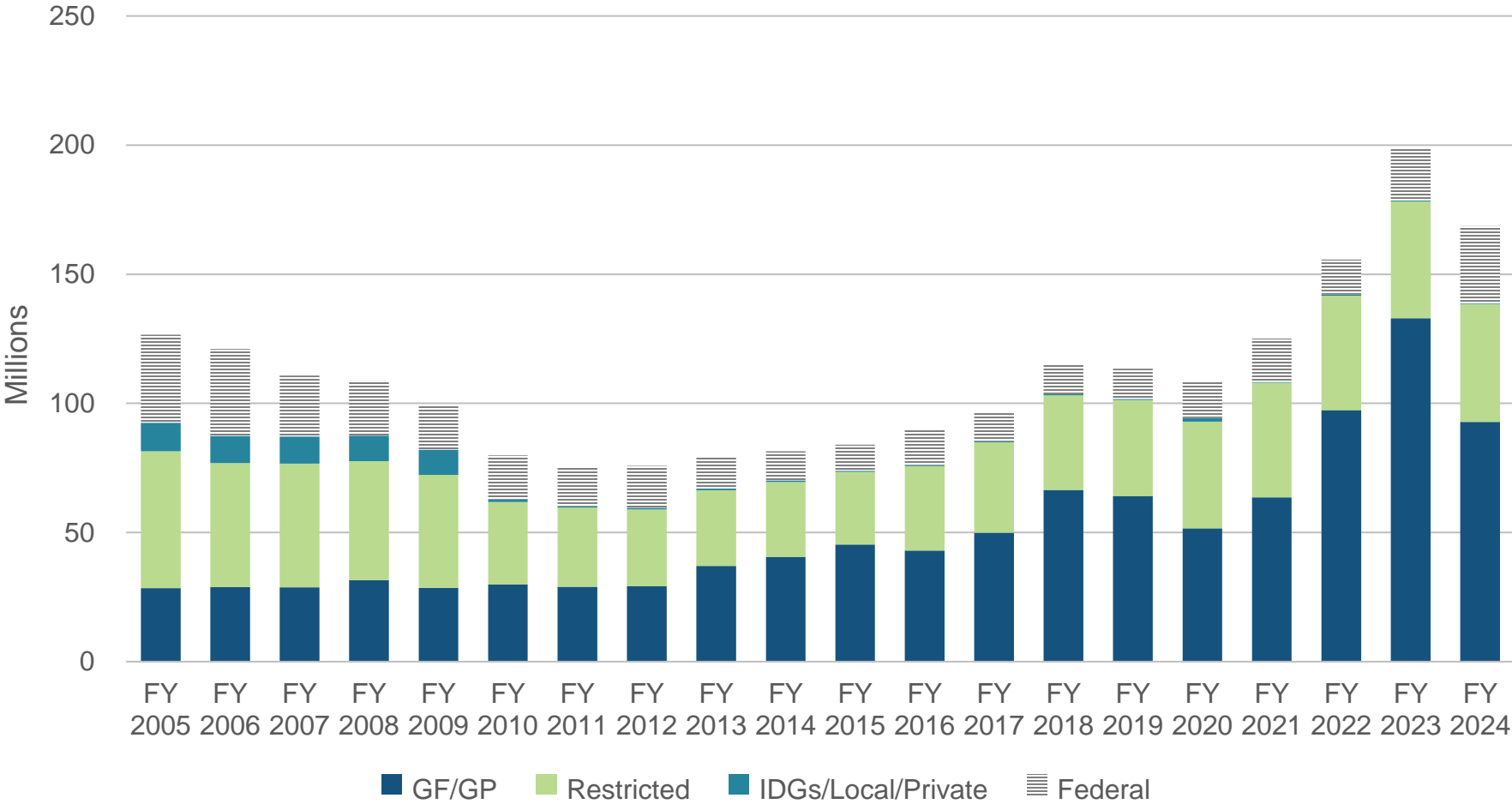
MDARD Share of Total GF/GP Budget

The MDARD budget represents less than 1% of the state's \$15.3 billion GF/GP budget for FY 2023-24.



MDARD Funding History

After falling to **\$29.2 million** in FY 2011-12, GF/GP support began trending upwards, reaching **\$66.5 million** in FY 2017-18. From FY 2017-18 through FY 2023-24, year-to-year GF/GP changes primarily reflect inclusion or removal of one-time items. FY 2023-24 includes **\$92.8 million** GF/GP, of which \$20.5.0 million is identified as one-time.



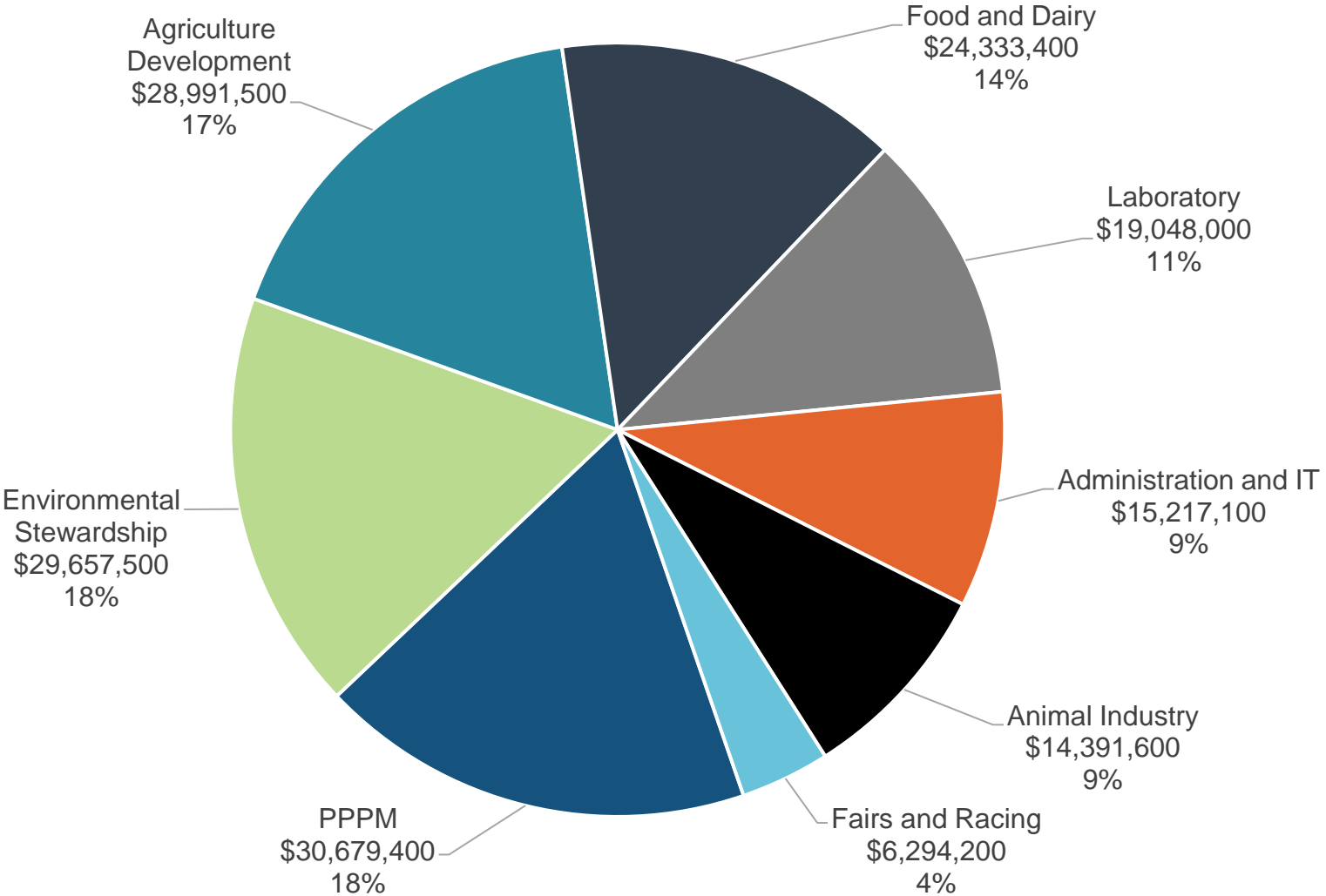
Appropriation Areas

MDARD Appropriation Areas - Ongoing

- The MDARD budget supports the following program areas:
 - Administration/Information Technology
 - Food and Dairy Quality Assurance
 - Animal Industry
 - Pesticide and Plant Pest Management (PPPM)
 - Environmental Stewardship
 - Laboratory
 - Agriculture Development
 - County Fairs/Horse Racing

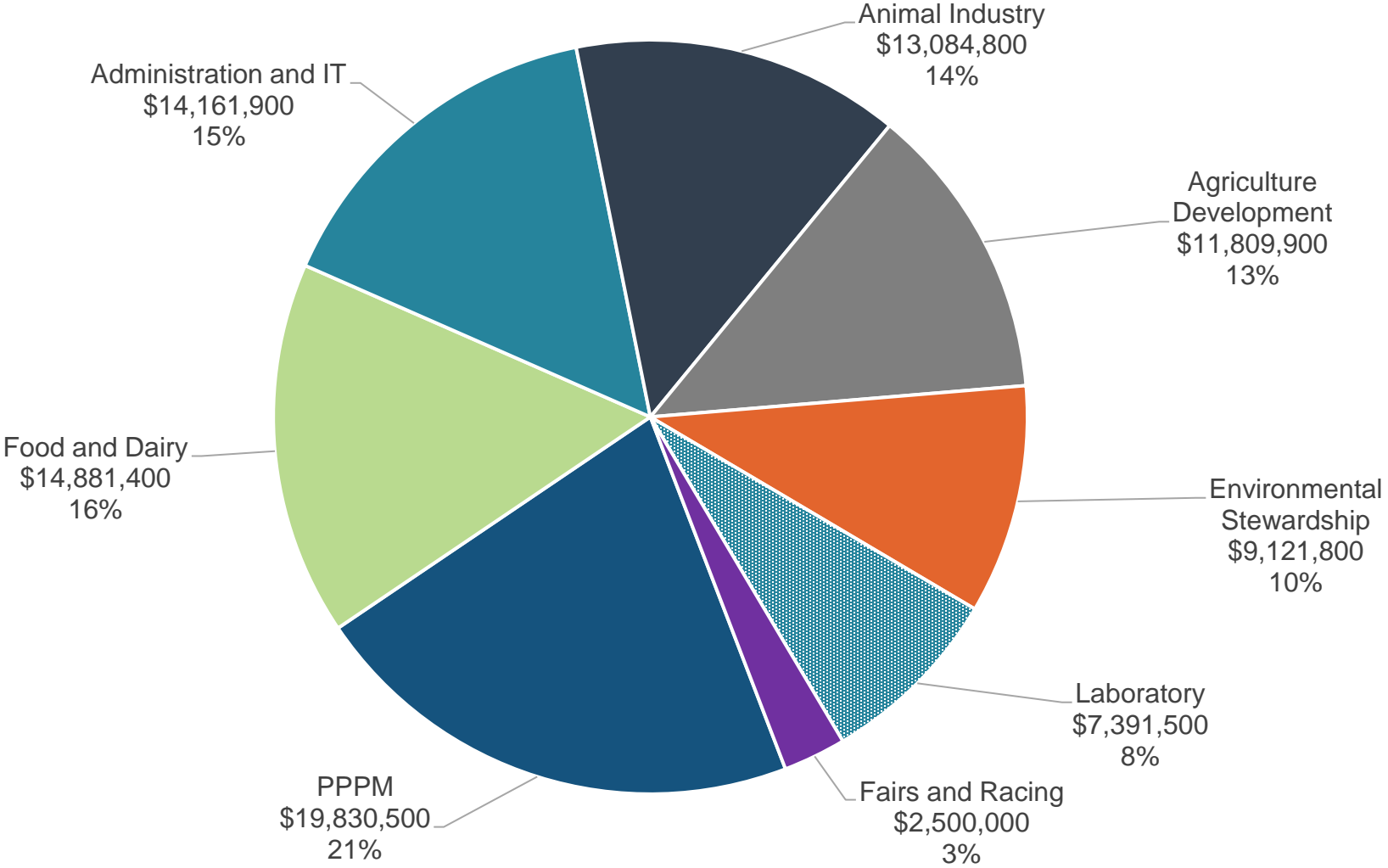
FY 2023-24 Gross Appropriations

FY 2023-24 Gross Appropriations of **\$168.6 million** are broken out by major program below. Environmental Stewardship, Agriculture Development, and PPPM are higher than recent year averages due to large one-time funding items.



FY 2023-24 GF/GP Appropriations

FY 2023-24 GF/GP funding of **\$92.8 million** is broken out by major program below. **Administration and IT** includes **\$4.0 million** GF/GP for program to identify, respond to, and mitigate **emerging contaminants** affecting agriculture.



Major Budget Topics

Food and Dairy

- Gross Appropriations of **\$24.3 million** (\$14.9 million GF/GP) support two major programs within MDARD's Food and Dairy Division:
 - Food Safety and Quality Assurance
 - Milk Safety and Quality Assurance
- These two programs are described in detail below.

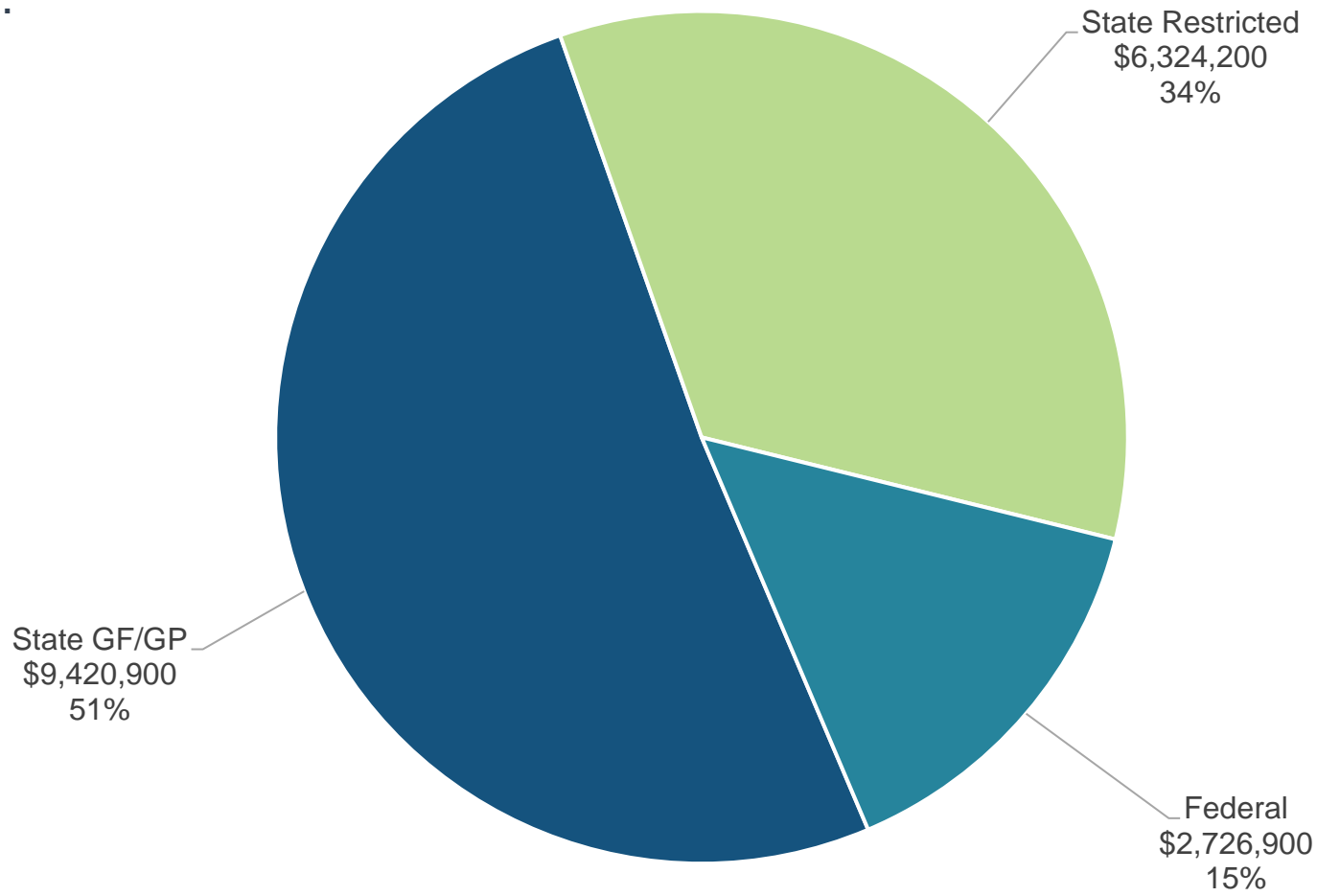
Food and Dairy

Food Safety and Quality Assurance

- MDARD's Food and Dairy Division administers a comprehensive program of "farm to table" food regulation under Michigan's primary food regulatory statute, the Food Law of 2000.
- The Food Safety and Quality Assurance program:
 - Protects the public from food-borne illness
 - Protects against the sale of adulterated food products, as well as fraud and deception in the sale of food products
 - Directly administers a program to license, regulate, and inspect 18,000 food establishments, including food processing plants, distribution centers, and retail grocery and convenience stores
 - Oversees local public health agency restaurant/food service establishment safety inspection programs under provisions of the Public Health Code

Food and Dairy Food Safety and Quality Assurance

Food Safety and Quality Assurance represents **\$18.5 million** of the **\$24.3 million** Food and Dairy appropriation. GF/GP represents half of program funding. Restricted funds come primarily from licensing fees established under the Food Law of 2000.

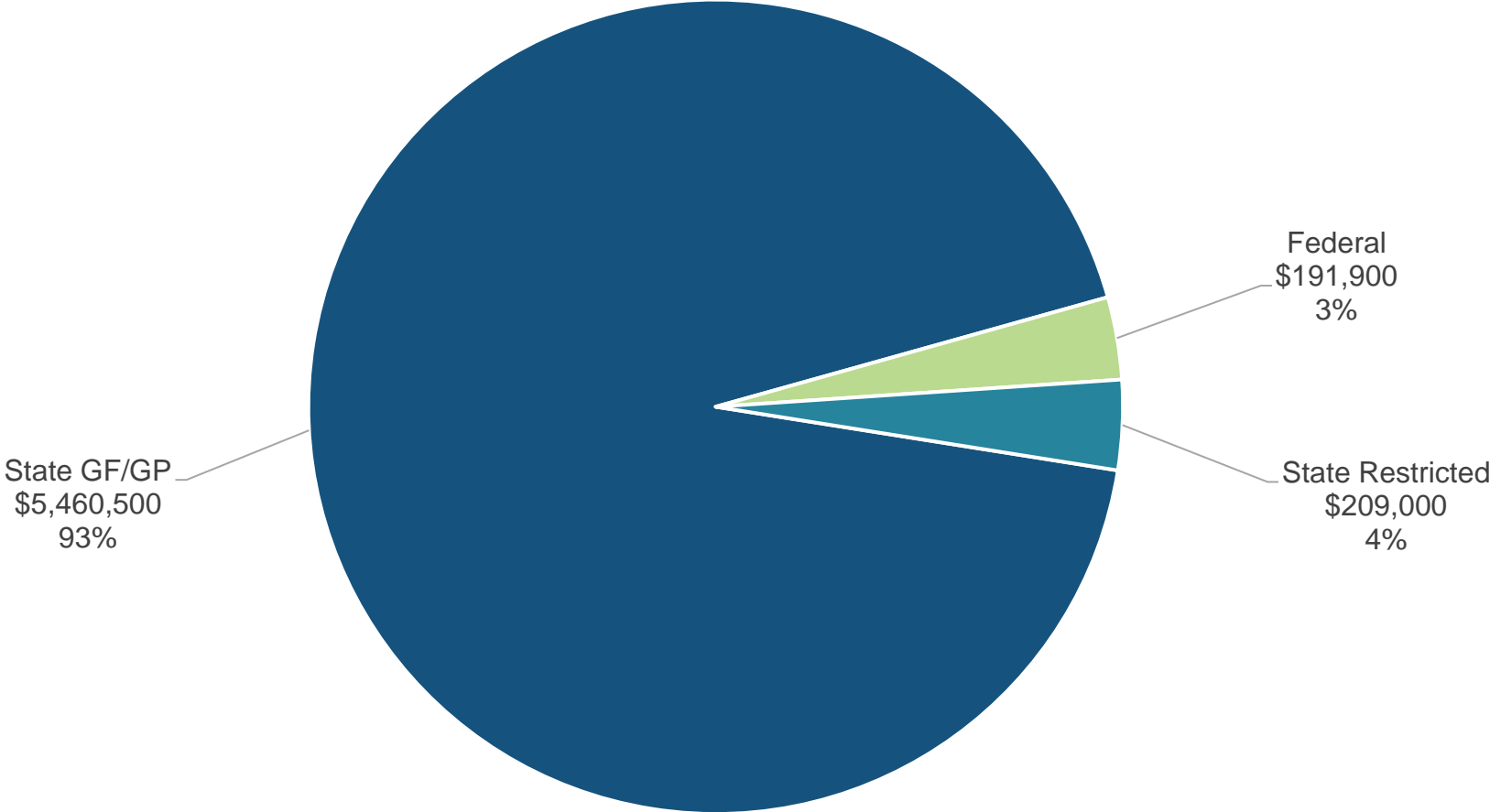


Food and Dairy Milk Safety and Quality Assurance

- MDARD's Food and Dairy Division also regulates production and sale of dairy products under the Grade A Milk Law of 2001 and the Manufacturing Milk Law of 2001. The Milk Safety and Quality Assurance program:
 - Licenses and inspects dairy industry producers, processors, and distributors, including 993 permitted dairy farms, 91 dairy processing plants, 912 milk trucks, and 717 milk haulers/samplers.
 - This program is necessary to ensure Michigan is in compliance with the Pasteurized Milk Ordinance (PMO), a national standard. Compliance with the PMO is necessary for Michigan milk products to be sold out-of-state.

Food and Dairy Milk Safety and Quality Assurance

Milk Safety and Quality Assurance represents **\$5.9 million** of the **\$24.3 million** Food and Dairy appropriation. This is a largely GF/GP funded program. State restricted funds for this program come from dairy industry licensing fees established under the Grade A Milk Law and the Manufacturing Milk Law.

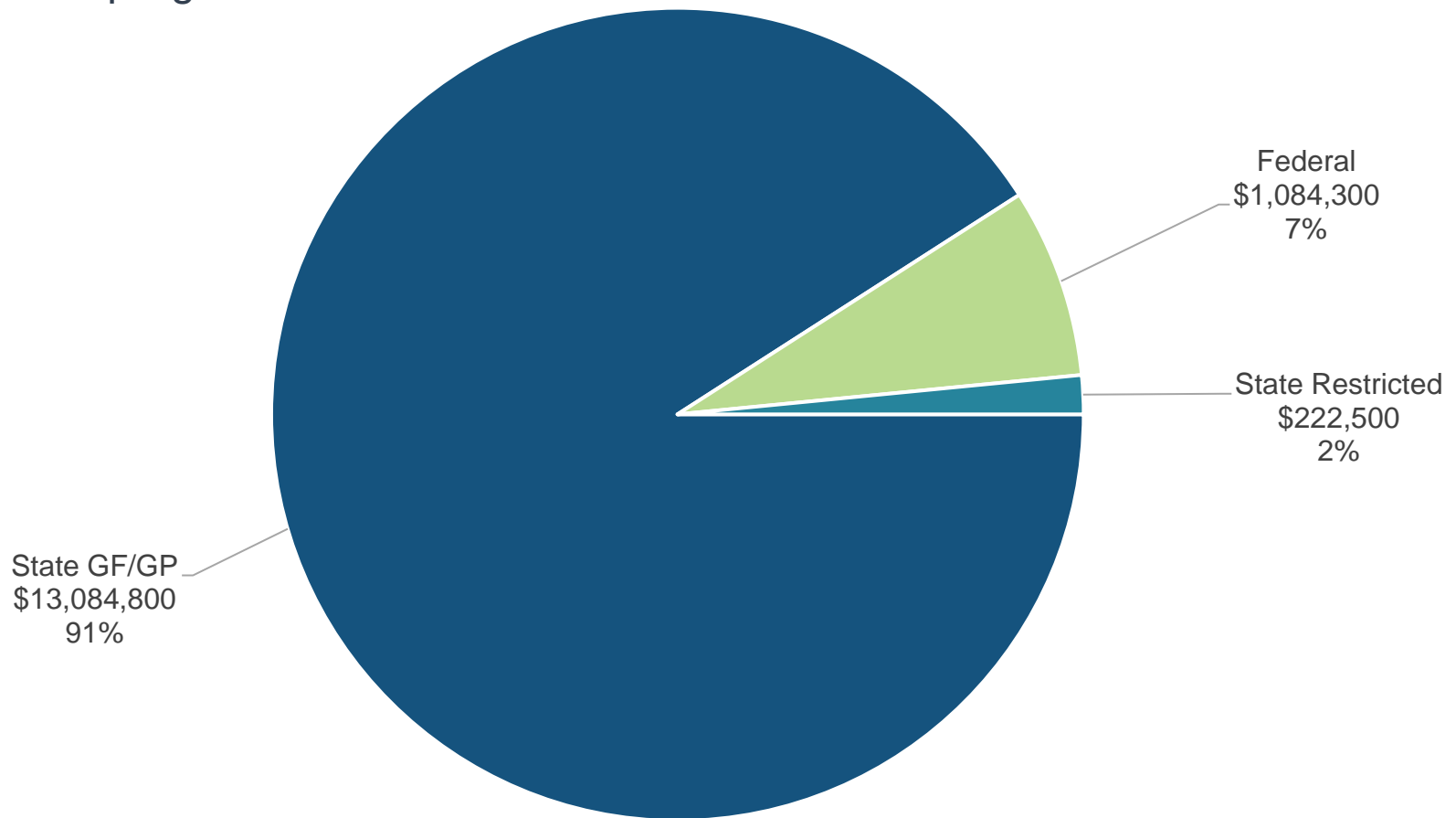


Animal Industry

- MDARD's Animal Industry Division administers programs to protect public health and the health of domestic animals under the authority of the Animal Industry Act. The Animal Industry Act provides for the appointment of a State Veterinarian, an MDARD employee, with authority over livestock and poultry disease programs.
 - Animal Industry Division programs work to detect and eradicate animal disease, including Bovine TB, Chronic Wasting Disease, Rabies, Pseudorabies, and Eastern Equine Encephalitis.
 - Bovine TB containment is the largest Animal Industry Division program representing approximately one-half of division activity.
 - A current area of concern is highly pathogenic avian influenza (HPAI) – a disease of birds with potential serious impact on domestic poultry industry.
 - Animal Industry appropriations also include \$3.0 million GF/GP for the Michigan Animal Agriculture Alliance, a cooperative industry/ Michigan State University research grant program.

Animal Industry

Animal Industry appropriations total **\$14.4 million**, of which \$10.9 million is for ongoing animal disease, prevention, and response program. Budget also includes \$3.0 million GF/GP to support a Michigan State University, Animal Agriculture research grant program, and \$500,000 GP/GP to establish a laboratory research animal care program.



Animal Industry – Bovine TB Program

- The Bovine TB eradication program is the largest program area within Animal Industry – representing approximately 50% of Animal Industry Division annual expenditures.
- Bovine TB is a contagious bacterial disease primarily of cattle. The disease, which attacks the respiratory system, is related to the bacteria associated with human tuberculosis.
- Risk of transmission is increased when animals are in close quarters; it is transmitted primarily through respiration or exchange of saliva at feeding stations or watering sites. Wildlife, including free-ranging deer, are a source of livestock infection.
- Because of the potential impact on the livestock industry, the U.S. Department of Agriculture (USDA) has, since 1917, worked cooperatively with states to eradicate Bovine TB.

Animal Industry – Bovine TB Program

- In 1979, Michigan had achieved *Bovine TB Free* status. However, in 1994 a wild white-tailed deer harvested in Alpena County was diagnosed as having Bovine TB. Based on the results of subsequent surveillance testing of both Michigan's livestock and wild deer populations, in 2000 the USDA revoked Michigan's *Bovine TB Free Status*. At that time, the entire state was designated as *Modified Accredited* which resulted in significant restrictions on the movement of cattle.
- In April 2004, the USDA granted Michigan *Split State Status* – a large part of the Northern Lower Peninsula remained in the *Modified Accredited Zone*; other parts of the state were designated as lower risk.
- In 2005, the entire Upper Peninsula was designated as *Bovine TB Free* after surveillance testing of cattle and wild deer found no evidence of Bovine TB.
- In September 2011, 57 counties in the Lower Peninsula were designated as *Bovine TB Free*. An additional seven counties were designated *Bovine TB Free* in October 2014. Currently, only four counties (Alcona, Alpena, Montmorency, and Oscoda) are still *Modified Accredited* – although livestock herds in neighboring counties are subject to additional testing and movement restrictions.

Animal Industry – Bovine TB Program

- On January 25, 2022, Bovine TB was confirmed in a small dairy herd in Oscoda County. This herd was the 82nd Bovine TB-positive cattle herd confirmed in Michigan since 1998.
- In December 2022, MDARD testing identified Bovine TB in two privately-owned (farmed) cervid herds: one in Sanilac County and one in Alcona County. The cases were found through routine surveillance testing and are the fifth and sixth farmed cervid facilities to be identified with Bovine TB.
- Although there have been no additional Bovine TB-positive cattle or farmed cervid herds since those 2022 events, there is concern that additional incidence of Bovine TB could put Michigan out of compliance with an April 20, 2022, Memorandum of Understanding between MDARD, the Michigan Department of Natural Resources, and the USDA.
- Loss of TB-Free status would result in additional movement restrictions for Michigan livestock producers and increased MDARD program costs.

Animal Industry – Bovine TB Program

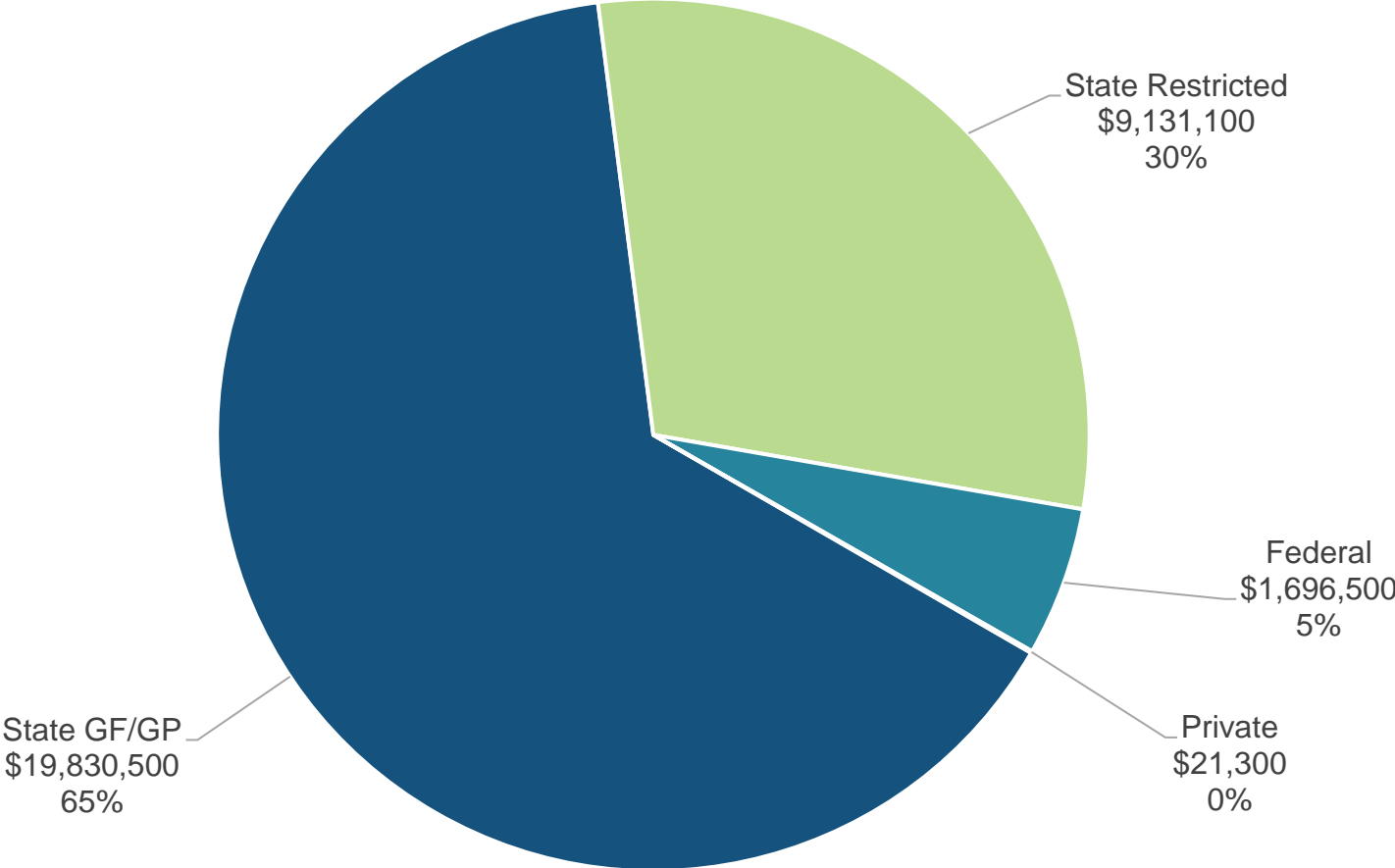
- Michigan's Bovine TB containment program expenditures from FY 1994-95 through FY 2022-23 total **\$200.0 million**. MDARD's share of those expenditures totaled **\$146.4 million**.
- MDARD program expenditures totaled **\$5.3 million** in FY 2022-23.
- MDARD Bovine TB costs are primarily supported by state GF/GP appropriations. These costs are primarily related to herd testing.

Pesticide and Plant Pest Management (PPPM)

- MDARD's PPPM Division administers programs that regulate use and manufacture of pesticides and fertilizers. Specific PPPM programs include:
 - Pesticide regulatory functions established and governed by Part 83 of Michigan's Natural Resources and Environmental Protection Act (NREPA). This program includes pesticide registration, and regulation of pesticide sale, distribution, and use.
 - Fertilizer licensing and regulation under Part 85 of NREPA.
- Other PPPM Division programs include:
 - Plant Health and Export Certification, including industrial hemp
 - Inspection of animal feed
 - Exotic and Invasive Pest Detection and Response
 - Fruit and vegetable inspection services

Pesticide and Plant Pest Management

Gross Appropriations for PPPM programs total **\$30.7 million**, of which **\$11.0 million (all GF/GP)** is shown as one-time. State restricted revenue, primarily from pesticide and fertilizer regulatory fees, provides the largest share of baseline/ongoing PPPM funding.



Pesticide and Plant Pest Management New Programs in FY 2023-24

- FY 2023-24 MDARD budget includes \$13.0 million GF/GP total for two new but related program line items within PPPM.

Agricultural climate resiliency program: \$7.0 million GF/GP for program to promote usage and implementation of best regenerative agricultural farming practices and new technologies related to environmental sustainability, including measures to address the impacts of climate change. \$6.0 million is designated for Michigan State University as program partner.

Soil health/regenerative agriculture: \$6.0 million GF/GP for a program of advancing the adoption of soil health and regenerative agriculture principles in Michigan agriculture, including maintaining soil cover, minimization of soil disturbance, plant and crop diversity, maintenance of live plants and roots, and integration of livestock into cropping systems.

Environmental Stewardship

- MDARD's Environmental Stewardship Division programs work to:
 - Prevent agriculture-related pollution
 - Preserve farmland
 - Promote environmentally sound farming practices
 - Enhance groundwater protection

Environmental Stewardship

- Environmental Stewardship Division programs include:
 - Right-to-Farm Act
 - Farmland and Open Space Preservation Programs
 - Intercounty Drain Program
 - Local conservation district grant program
 - Migrant Labor Housing Program
 - Michigan Agriculture Environmental Assurance Program (MAEAP)
 - Qualified Forest Program/Forestry Assistance Program

Environmental Stewardship – MAEAP

- MAEAP is the largest Environmental Stewardship Division program:
 - MAEAP is a voluntary program established in 1997 to reduce farmers' legal and environmental risks through: 1) education; 2) farm-specific risk assessment and practice implementation; and 3) on-farm verification to ensure the farmer has implemented environmentally sound practices.
 - MAEAP was established in law in 2011, under Part 87 of Michigan's Natural Resources and Environmental Protection Act (NREPA).
 - MAEAP is supported through water quality protection fees assessed on pesticide and fertilizer sales, federal funds, and GF/GP.
 - Public Act 118 of 2015 amended Part 87 of NREPA to make changes to MAEAP, including increases in water quality protection fees. Public Act 123 of 2021 extended the authority to collect these fees to December 31, 2025.
 - Many MAEAP activities are carried out through local conservation districts under contract with MDARD. The FY 2023-24 budget includes \$3.0 million GF/GP (\$2.0 million ongoing, \$1.0 million one-time) in operational support for local conservation districts.

USDA Regional Conservation Partnership Program (RCPP)

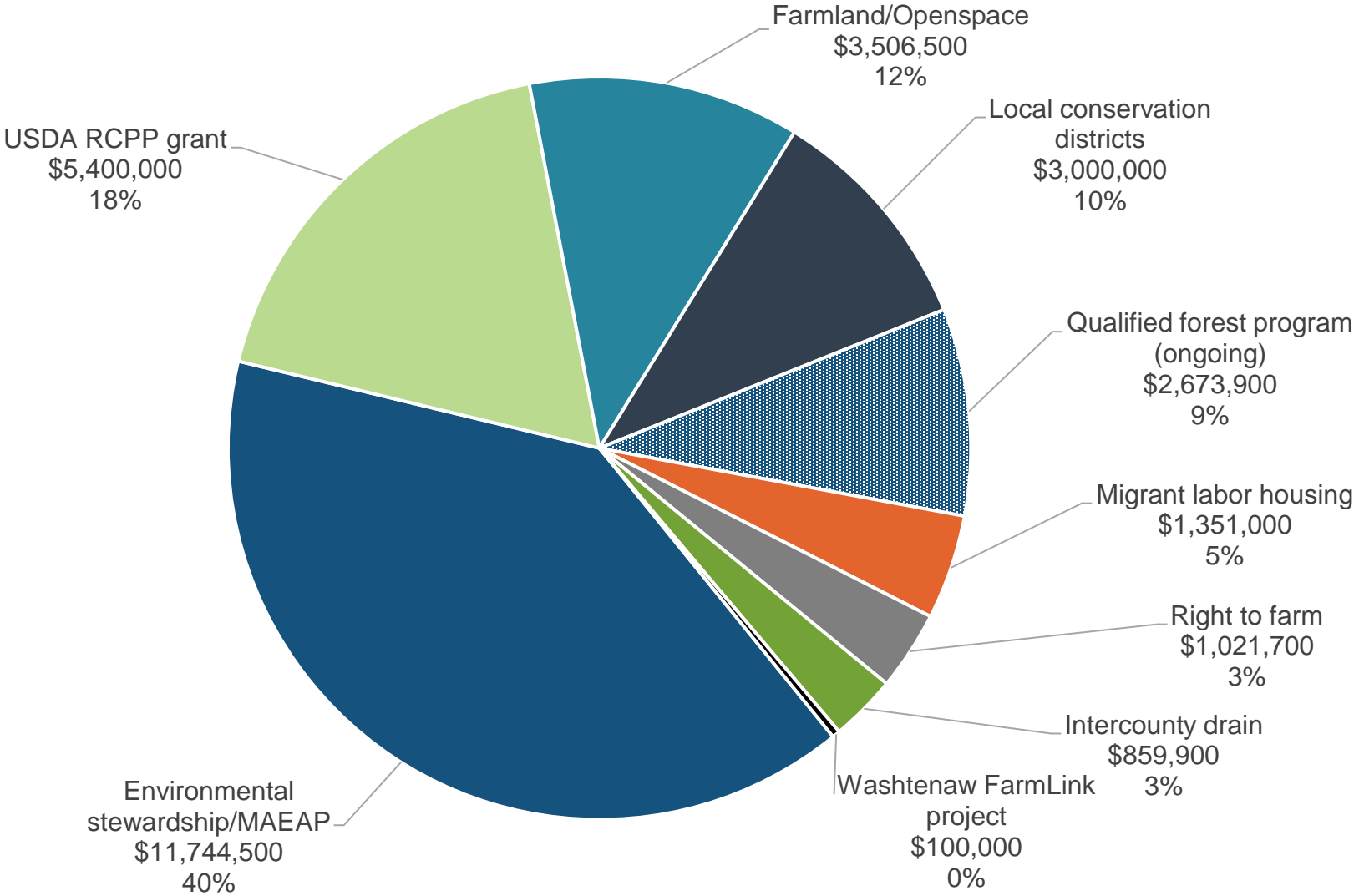
- In September 2021, Michigan was awarded \$5.4 million in USDA Regional Conservation Partnership Program (RCPP) grant funding for a reforestation project.
- The project involves planting of hardwoods and conifers on approximately 16,400 acres of both public and private land in Michigan's Northern Lower Peninsula.
- Project environmental goals include reduced sedimentation, reduced nutrient loading, and carbon sequestration.
- The \$5.4 million grant is recognized in the FY 2023-24 MDARD budget, in the Qualified Forest Program line item. [The grant had also been recognized in the FY 2022-23 MDARD budget but no expenditures were charged to the grant in that budget year.]

Environmental Stewardship – Agricultural Nutrient Best Management Voluntary Practices

- The FY 2021-22 budget included **\$25.0 million** one-time GF/GP for a targeted environmental stewardship program with the goal of water quality improvement in the **western Lake Erie basin**.
- Of the total appropriation, \$23.6 million is carried forward into FY 2023-24 as a work project with ongoing reporting requirements.
- The program focus is phosphorus reductions and water quality improvements through:
 - Implementation of priority practices
 - Technical support
 - Soil and water quality testing
 - Education outreach and training

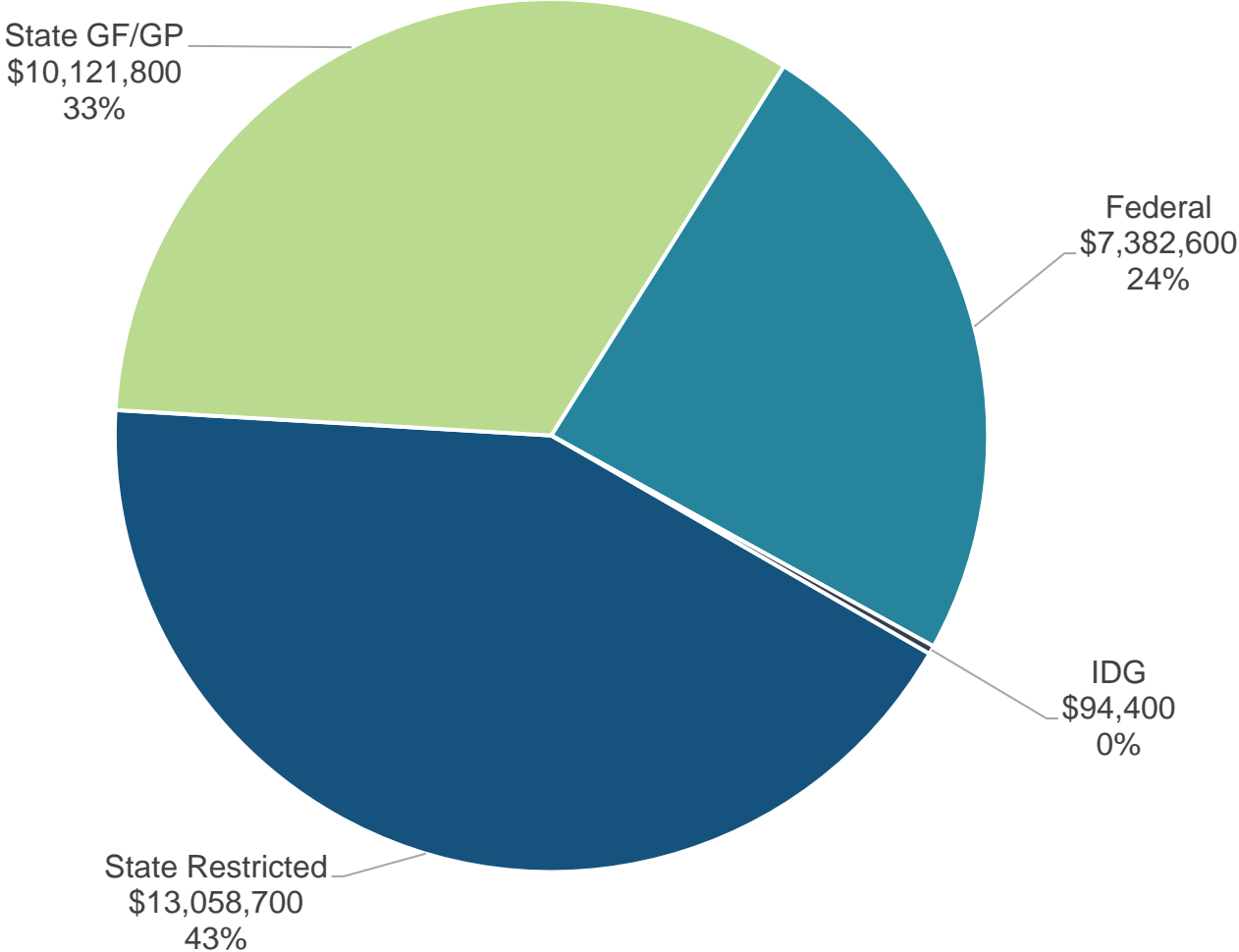
Environmental Stewardship – Programs

FY 2023-24 Environmental Stewardship appropriations of **\$29.7 million** include **\$5.4 million** in federal USDA-RCPP grant funding.



Environmental Stewardship – Funding

FY 2023-24 Environmental Stewardship funding includes **\$9.1 million** GF/GP (**\$1.1 million** shown as one-time), State restricted includes \$8.3 million from Freshwater Protection Fund for MAEAP. Federal funds total of \$7.4 million includes \$5.4 million from USDA – RCPP grant program.

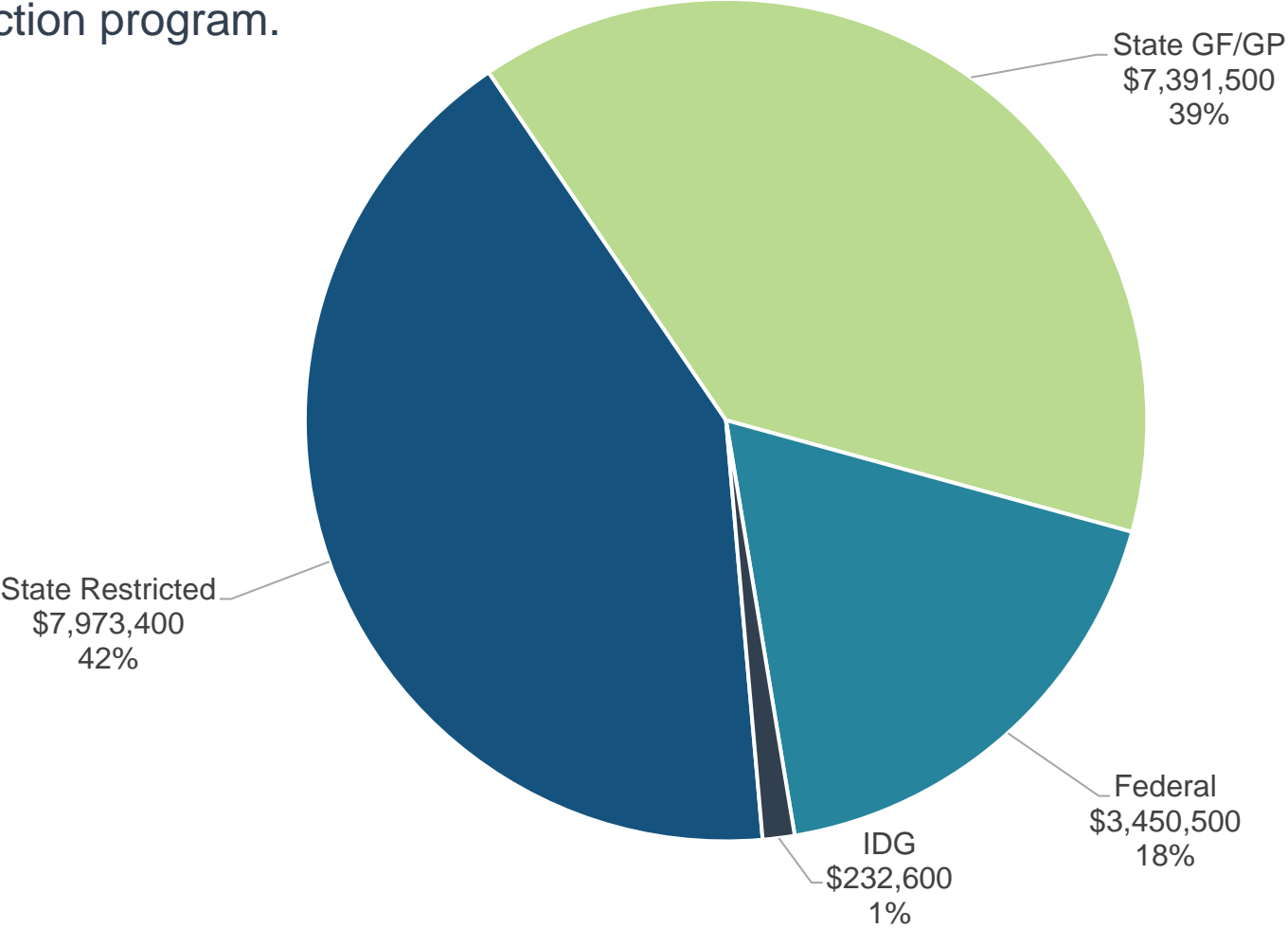


Laboratory Program

- MDARD's Laboratory Division operates two laboratories, the Geagley Laboratory in East Lansing and the E. C. Heffron Metrology Laboratory in Williamston.
 - These laboratories provide analytical, diagnostic, and technical services for other MDARD programs, for other state and federal agencies, and for private customers.
- Geagley Laboratory/Laboratory Services program:
 - Performs food safety analytical and microbial testing.
 - Provides pesticide residue testing of food/agricultural products under contract with USDA.
 - Performs Motor Fuel Quality testing to ensure that motor fuels sold in the state are not contaminated and meet advertised octane ratings.
- Heffron Laboratory/Consumer Protection:
 - Metrology program assures accurate standards in commercial measurement and manufacturing systems.
 - Weights and Measures program helps protect consumers and industry from economic fraud in product labeling and content.
 - Motor Fuel program examines accuracy of fuel pumps.

Laboratory Division Programs

Laboratory Program appropriations total **\$19.0 million**. State restricted support comes from licensing and regulatory fee funds, including \$3.4 million from the Refined Petroleum Fund for consumer protection/motor fuel pump inspections, and \$1.9 million from Gasoline Inspection and Testing Fund for the motor fuel quality inspection program.



Agriculture Development - Ongoing

- MDARD's Office of Agriculture Development supports programs related to marketing and promoting Michigan food and agricultural products. Agriculture Development programs include:
 - Food and Agriculture Investment grant program (**\$2.5 million GF/GP**) seeks to promote and enhance Michigan's food and agriculture industries.
 - Rural Development grants (**\$2.0 million** from a non-ferrous mining tax).
 - **\$2.0 million GF/GP** for the Fair Food Network/Double Up Food Bucks
 - Michigan Craft Beverage Council (**\$1.3 million** restricted from certain non-retail liquor fees, used for administrative support and research grants).
 - The Office of Agriculture Development oversees the **\$2.7 million** federal specialty crop grant program established under the Farm Bill of 2018.
 - Food and Agriculture Supply Chain - \$800,000 GF/GP ongoing plus \$1.0 million GF/GP one-time to address agriculture supply chain issues.

Agriculture Development – FY 2023-24 One-Time

- **FY 2023-24** appropriations include **\$10.1 million** in one-time federal funding to recognize a USDA **Resilient Food Systems and Infrastructure** (RFSI) grant available under the American Recovery Plan.
- **FY 2023-24** appropriations include **\$2.9 million GF/GP** for a new **Minority-owned food and agriculture ventures** program to help expand minority participation in food and agriculture business sector.

Fairs and Horse Racing

- Includes **\$3.8 million** from the Agriculture Equine Industry Development Fund (AEIDF) in support of horse racing programs, including funding for Standardbred race purses, purse supplements, and breeders' awards distributed in accordance with the Horse Racing Law of 1995.
- Michigan's only licensed thoroughbred race licensee, Hazel Park Raceway, closed in April 2018. Michigan now has only one licensed racetrack, Northville Downs, which offers standardbred (harness) racing. Standardbred racing is also offered at some county fairs without wagering.
- The Office of Racing Commission was housed within MDARD until 2009 when horse racing regulatory functions were transferred to the Michigan Gaming Control Board. MDARD retains responsibility for administration of AEIDF-funded grants for purses and purse supplements awarded at licensed racetracks and county fairs, as well as breeders' awards.
- The FY 2021-22 budget had included a one-time \$3.2 million GF/GP appropriation for credit to the AEIDF.
- The budget also includes \$2.5 million GF/GP for grants to county fairs and expositions.

For more information about the MDARD budget:

HFA Resources

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

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