

MEMORANDUM



DATE: June 5, 2012
TO: Interested Parties
FROM: William E. Hamilton
RE: Bovine Tuberculosis Indemnification – State Budget Office Request No. 2012-12

This memo provides background information on State Budget Office Supplemental budget Request No. 2012-12 for the Michigan Department of Agriculture and Rural Development.

In January 2012, the Michigan Department of Agriculture and Rural Development (MDARD) identified a beef cattle herd in Alpena County as positive for Bovine Tuberculosis (Bovine TB). The department indicates that this was the 53rd TB-positive cattle herd in Michigan since 1998.¹ The department had tested the herd in December 2011 as part its program of whole-herd surveillance testing in the Bovine TB *Modified Accredited Zone* (Alpena, Alcona, Montmorency, and Oscoda counties).

Only one animal initially tested positive for Bovine TB. That animal and two other suspect animals in the herd were removed and sent to the Michigan State University Diagnostic Center for Population and Animal Health for necropsy. At that time necropsy confirmed only the one animal as positive for Bovine TB infection. Because the entire herd had been exposed to Bovine TB, the herd was subject to restrictions on the movement of animals and on-going testing protocols. The department indicated that because the herd was a breeding operation, the designation of the herd as TB positive made it hard for the operator to sell animals and hard to continue in business. As a result, the owner requested that the entire herd be depopulated.

A State Budget Office supplemental budget request (Request No. 2012-12, dated March 12, 2012) would provide for indemnification of the owner of the herd to be depopulated. The requested amount of \$140,000 (GF/GP) represents the appraised fair market value of the 101 animals in the herd (\$201,500), less estimated salvage value. Additional costs of trucking, cleaning, disinfecting, and disposal will be charged to funds previously appropriated in the *Animal disease prevention and response* line item of the MDARD budget.

Indemnification payments to owners of livestock seized and destroyed by the department are authorized under Sec. 14 of the Animal Industry Act (1988 PA 466) and boilerplate in the FY 2011-12 MDARD budget (Sec. 453, Article I, 2011 PA 63,). Both the Animal Industry Act and appropriations boilerplate require specific legislative appropriation for indemnifications greater than \$100,000.

This is the second time the livestock operation in question has been infected with Bovine TB. The previous instance was in 2006 when two animals tested positive. At that time 143 animals in the herd were destroyed. Subsequent to the 2006 infection, the farm owner participated in the state's Wildlife Risk Mitigation project and implemented mitigation practices using both state and federally-funded cost-sharing grants. The state helped fund construction of a feed storage facility. Federal funds participated in the construction of a heavy use facility so that the producer could winter feed cattle closer to the farm buildings and reduce the risk of interaction between wildlife and livestock.

¹ In addition to the 53 cattle herds, there have been four privately-owned cervid herds identified as Bovine TB positive since 1998.

Of the 53 Bovine TB positive livestock herds in Michigan since 1998, six are twice-infected. The department indicates that Herd 53 is the first farm to be infected with Bovine TB after implementing a wildlife risk mitigation action plan for over a year. Of the 53 infected herds since 1998, most have been located within the four-county Modified Accredited Zone, described further below.

History of Bovine TB in Michigan

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.

Although primarily a disease of cattle, Bovine TB has also been found in other warm-blooded animals, including, rarely, in humans. According to department publications, humans may be infected through drinking unpasteurized milk from infected animals, eating undercooked meat from infected animals, or other contact with infected animals. At least one hunter has been infected through field dressing an infected deer.

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.

The presence of Bovine TB in a state can affect the ability of the state's livestock producers to sell or move livestock in interstate commerce. The USDA uses five status levels that apply to a state or to zones within a state reflecting the prevalence of Bovine TB and the risk of transmission to livestock. In 1979, Michigan had achieved *Bovine TB Free* status. However, in 1994 a wild white tailed deer harvested in Alpena County during hunting season 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 (11 counties, and a portion of two other counties) with higher incidence of Bovine TB remained in the Modified Accredited Zone; other parts of the state were reclassified as lower risk *Modified Accredited Advanced*. 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. At this time only four counties remain in the *Modified Accredited Zone* – Alcona, Alpena, Montmorency, and Oscoda. Seven counties are still designated as *Modified Accredited Advanced*: Antrim, Charlevoix, Cheboygan, Crawford, Emmet, Otsego, and Presque Isle.

The department indicates that state expenditures associated with Michigan's Bovine TB containment program, from FY 1994-95 through FY 2010-11, have totaled \$115.7 million. MDARD's share of those expenditures totaled \$83.9 million, of which \$68.7 million came from the state General Fund with the balance from federal and state restricted fund sources. In addition to MDARD spending, \$29.3 million in program costs have been incurred by the Department of Natural Resources, and \$2.5 million by the Department of Community Health.

These state-paid program costs do not include indemnification payments, or cost-sharing risk mitigation grants, made directly by the USDA.

In addition to the funds identified above, between FY 1999-2000 and FY 2000-01 the state appropriated a total of \$58 million for the construction of the Diagnostic Center for Population and Animal Health facility at Michigan State University. The facility opened in March 2004. The building was financed by the State Building Authority (SBA); annual SBA debt service payments are currently \$4.5 million (GF/GP).

July 2012 Follow-Up

The \$140,000 (GF/GP) supplemental request was included in Senate Bill 871, a FY 2011-12 supplemental appropriation bill. The bill was enacted as 2012 PA 236 on June 29, 2012.

On June 22, 2012 an MDARD press release indicated that routine testing performed in April 2012 had identified Bovine TB in a mid-sized Alpena County dairy herd, identified as infected herd #54. The department indicated that this dairy herd had been previously infected and had participated in Wildlife Risk Mitigation program. The department also indicated that the producer preferred to use a test-and-remove process rather than whole herd depopulation.