FY 2012-13: DEPARTMENT OF AGRICULTURE AND RURAL

DEVELOPMENT

Summary: House Subcommittee Recommendation

House Bill 5385 (H-1) Draft 2



Analyst: William E. Hamilton

	FY 2011-12 YTD as of 2/9/12	FY 2012-13 Revised Executive	FY 2012-13 House	FY 2012-13 Senate	FY 2012-13 Enacted	Difference: I From FY 2011- Amount	
IDG/IDT	437,700	319,300	319,300			(118,400)	(27.1%)
Federal	14,587,700	11,199,600	11,199,600			(3,388,100)	(23.2%)
Local	0	0	0			0	0.0%
Private	178,400	175,800	175,800			(\$2,600)	(1.5%)
Restricted	29,600,500	28,659,400	28,959,400			(641,100)	(2.2%)
GF/GP	29,878,700	34,160,500	34,160,500			4,281,800	14.3%
Gross	\$74,683,000	\$74,514,600	\$74,814,600			\$131,600	0.2%
FTEs	443.0	424.0	424.0			(19.0)	(4.3%)

Notes: (1) FY 2011-12 year-to-date (YTD) figures include mid-year budget adjustments through February 9, 2012, as well as adjustments for Other Post Employment Benefit prefunding under Senate Bill 683.

Overview

The Department's key programs and priorities include ensuring food safety and security, protecting animal health and welfare, managing invasive exotic species, regulating pesticide use, certifying agricultural commodities, ensuring environmental stewardship, protecting consumers, and promoting the state's agricultural economy.

Brief Summary - House Subcommittee Recommendation

<u>Executive</u> had proposed appropriating \$2.5 million Gross, (\$2.2 million GF/GP) through one-time boilerplate appropriations, including: \$500,000 GF/GP for a private forestry program, and \$1.5 million GF/GP for a new Healthy Food program, and \$470,000 Gross (\$235,300 GF/GP) for one-time state employee lump sum payment.

House Bill 5385 (H-1) Draft 2)

includes the Governor's recommended one-time GF/GP appropriations but as Part 1 line item appropriations.

Recognizes \$300,000 in additional restricted revenue anticipated from the passage of Senate Bill 887 and Senate Bill 888, bills that would amend the Grain Dealers Act (licensing program) and the Farm Produce Insurance Act. This restricted revenue allows the redirection of \$300,000 GF/GP from the Grain Dealer/Producer security program for use in a County Fair capital grant program.

Creates a \$20,000 line item for Light Horse Breeder's Awards, funded from the Agriculture Equine Industry Development Fund (AEIDF) and reduces the department's Information Technology line by a like amount.

The following sections provide a detailed analysis of the appropriation line items and boilerplate respectively. Changes from the Governor's recommendation are highlighted.

⁽²⁾ Appropriation figures for all years include all proposed appropriation amounts, including both standard line items and appropriations designated as one-time.

Major Budget Changes From FY 2011-12 YTD Appropriations		FY 2011-12 Year-to-Date (as of 2/9/12)	FY 2012-13 House <u>Change</u>
 Commissions and Boards House concurs with Executive; no change from current year. 	Gross	\$23,800	\$0
	Restricted	8,800	0
	GF/GP	\$15,000	\$0
 Unclassified Positions House concurs with Executive; no change from current year. 	FTEs	2.0	0.0
	Gross	\$213,300	\$0
	GF/GP	\$213,300	\$0
3. Executive Direction House concurs with Executive; reflects economic adjustment; adds 1.0 FTE position to recognize policy advisor position.	FTEs	8.0	1.0
	Gross	\$1,133,000	\$154,300
	Restricted	43,700	5,800
	GF/GP	\$1,089,300	\$148,500
4. Management Services/Operational Services House concurs with Executive; reflects economic adjustment.	FTEs	15.0	0.0
	Gross	\$1,032,600	(\$37,400)
	IDG	3,000	(3,000)
	Restricted	57,800	900
	GF/GP	\$971,800	(\$35,300)
 Statistical Reporting Service House concurs with Executive; reflects economic adjustment. 	FTEs	1.0	0.0
	Gross	\$166,300	(\$8,000)
	Private	91,900	(4,400)
	GF/GP	\$73,400	(\$3,600)
6. Emergency Management House concurs with Executive; recognizes \$500,000 federal US Food and Drug Administration Rapid Response Team grant. Grant is also available in the current year; the State Budget Office has asked for a \$500,000 transfer to increase current year spending authority. Budget also recognizes \$12,600 in economic adjustments.	FTEs	2.0	0.0
	Gross	\$257,900	\$512,600
	Federal	0	508,300
	GF/GP	\$257,900	\$4,300
7. Accounting Service Center House concurs with Executive and reflects economic adjustment. Department reimburses the Michigan Department of Transportation for accounting services.	Gross	\$912,800	\$7,400
	GF/GP	\$912,800	\$7,400
8. Departmentwide – Rent and Building Occupancy House concurs with Executive and appropriates for estimated building occupancy costs.	Gross Federal Restricted GF/GP	\$991,900 442,000 499,000 \$50,900	\$16,800 7,400 8,600 \$800
9. Information Technology Executive had recommended economic adjustments. House Bill 5385 (H-1), Draft 2 reduces AEIDF support by \$20,000 to allow for Light horse breeders' awards, Item # 28, below.	Gross IDG Restricted GF/GP	\$1,356,300 2,900 156,100 \$1,197,300	\$28,600 100 (14,600) \$43,100
10. Food and Dairy – Food Safety and Quality Assurance House concurs with Executive and reflects economic adjustments.	FTEs	81.0	(6.0)
	Gross	\$10,433,100	(\$265,600)
	Federal	684,500	2,900
State Budget Office has indicated that it will request a negative supplemental to reduce current year GF/GP appropriations by \$308,600 in this line to account for assumed employee cost savings that were not realized.	Restr.	3,292,800	3,600
	GF/GP	\$6,455,800	(\$272,100)
11. Food and Dairy – Milk Safety and Quality Assurance House concurs with Executive and reflects economic adjustments.	FTEs	23.0	0.0
	Gross	\$3,103,200	\$71,600
	Federal	35,700	800
	Restricted	165,800	3,800
	GF/GP	\$2,901,700	\$67,000

Major Budget Changes From FY 2011-12 YTD Appropriations		FY 2011-12 Year-to-Date (as of 2/9/12)	FY 2012-13 House <u>Change</u>
12. Animal Industry – Animal Heath and Disease Response House concurs with Executive and recognizes \$153,100 Gross (\$96,100 GF/GP) in economic increases; \$483,500 decrease in federal revenue to reflect actual anticipated federal grants; \$50,000 increase in Animal Welfare Fund revenue (a fund established in 2007 PA 132).	FTEs	64.0	(4.0)
	Gross	\$9,237,100	(\$280,400)
	Federal	1,323,900	(443,500)
	Restricted	267,700	65,000
	GF/GP	\$7,645,500	\$98,100
State Budget Office has indicated that it will request a negative supplemental to reduce current year GF/GP appropriations by \$253,700 in this line to account for assumed employee cost savings that were not realized.		, ,,, ,,,,,	****
13. Pesticide and Plant Pest Management – PPPM House concurs with Executive and recognizes \$86,300 Gross (\$103,500 GF/GP) in economic cost reductions; budget also reduces restricted fund sources by \$400,000 to reflect actual anticipated revenue.	FTEs Gross Federal Private	88.0 \$11,025,400 2,043,900 86,500	(11.0) (\$485,300) 5,100 300
State Budget Office has indicated that it will request a negative supplemental to reduce current year GF/GP appropriations by \$112,500 in this line to account for assumed employee cost savings that were not realized.	Restricted	5,224,900	(387,200)
	GF/GP	\$3,670,100	(\$103,500)
14. Emerald Ash Borer Program House concurs with Executive and reflects elimination of targeted federal support for this program; appropriation had been as much as \$25.0 million in FYs 2003-04 and 2004-05.	FTEs	7.0	(7.0)
	Gross	\$1,910,200	(\$1,910,200)
	Federal	\$1,910,200	(\$1,910,200)
15. Producer Security/Grain Dealer Licensing Executive recognizes \$8,200 in economic increases; does not reflect any proposed changes in grain dealer licensing fees.	FTEs	4.0	0.0
	Gross	\$566,000	\$8,200
	Restricted	253,600	303,800
	GF/GP	\$312,400	(295,600)
House Bill 5385 (H-1), Draft 2 recognizes \$300,000 in additional restricted revenue anticipated from the passage of Senate Bill 887 and Senate Bill 888, bills that would amend Grain Dealers Act (licensing program) the Farm Produce Insurance Act. The bill reduces GF/GP support by a like amount.		V =,	(=00,000,
16. Environmental Stewardship Among other things, this line provides technical assistance grants, through local conservation districts, to implement conservation programs. House concurs with Executive and recognizes \$94,100 in economic increases; reduces restricted fund sources by \$200,100 to reflect actual anticipated revenue.	FTEs	18.0	0.0
	Gross	\$6,252,500	(\$106,000)
	Federal	1,387,600	21,400
	Restricted	4,864,900	(127,400)
	GF/GP	\$0	\$0
17. Michigan Agriculture Environmental Assurance Program (MAEAP) House concurs with Executive and provides \$1.0 million GF/GP increase to baseline funding with the aim of achieving goal of 5,000 MAEAP verifications by 2015. Also recognizes \$46,100 in economic increases.	FTEs	3.0	4.0
	Gross	\$575,400	\$1,046,100
	Restricted	299,900	23,900
	GF/GP	\$275,500	\$1,022,200
MAEAP is a voluntary program for designed to promote natural resources conservation through education, technical assistance, and verification of agri-systems. Program first established in FY 2000-01 budget, established in statute through 2011 PA 1, and 2011 PA 2.			
18. Farmland/Open Space Preservation House concurs with Executive and reflects economic adjustment of \$29,100; reduces restricted fund source by \$160,800 to reflect actual anticipated revenue.	FTEs	9.0	0.0
	Gross	\$1,003,700	(\$131,700)
	Restricted	1,003,700	(131,700
19. Local Conservation Districts House Bill 5385 (H-1, Draft 2) retains \$100 placeholder which had been eliminated in the Executive budget. General Fund support for the Local conservation districts line had been \$2.8 million in FY 2000-01.	Gross	\$100	\$0
	GF/GP	\$100	\$0

Major Budget Changes From FY 2011-12 YTD Appropriations		FY 2011-12 Year-to-Date (as of 2/9/12)	FY 2012-13 House <u>Change</u>
20. Migrant Labor Housing House concurs with Executive and includes \$400,000 additional GF/GP funding for program which helps ensure safe housing for seasonal farm workers. Department currently conducts pre-season inspections at 850 licensed migrant labor camps in Michigan. Increased funding would support 3.0 additional FTE positions in order to also provide in-season inspections.	FTEs	6.0	3.0
	Gross	\$1,202,600	(\$45,700)
	Federal	488,200	(488,200)
	Restricted	148,200	8,800
	GF/GP	\$566,200	\$433,700
Budget also reflects economic adjustments of \$42,500, and elimination of federal fund source. The source of restricted Migrant Labor Housing funds in this line is the migrant labor housing inspection fee of \$5 per allowable occupant established in 2010 PA 13 and 2010 PA 14.			
21. Right to Farm House concurs with Executive and reflects economic adjustments.	FTEs	3.0	0.0
	Gross	\$541,400	\$13,700
	IDG	104,300	2,700
	GF/GP	\$437,100	\$11,000
22 Intercounty Drains House concurs with Executive and reflects economic adjustments.	FTEs	3.0	0.0
	Gross	\$446,200	\$6,900
	Restricted	0	0
	GF/GP	\$446,200	\$6,900
23. Laboratory Services House concurs with Executive and recognizes \$99,400 Gross (\$4,300 GF/GP) in economic increases; \$22,700 reduction in anticipated federal USDA grants; \$150,000 reduction in restricted gasoline inspection and testing fees to reflect actual anticipated revenue. State Budget Office has indicated that it will request a negative supplemental to reduce current year GF/GP appropriations by \$45,500 in this line to account for assumed employee cost savings that were not	FTEs	42.0	(4.0)
	Gross	\$5,759,700	(\$73,300)
	IDG	215,800	(8,900)
	Federal	976,600	2,200
	Restricted	2,612,800	(70,900)
	GF/GP	\$1,954,500	\$4,300
24. USDA Monitoring House concurs with Executive and reflects economic increase of \$66,400, partially offset by \$30,000 reduction in federal fund source. Department's Geagley Laboratory is one of eight state laboratories in the United States which performs analytic testing services for the USDA Microbiological Data Program, a program which collects data on pathogens in fresh produce. Federal funding may be eliminated for this program; the potential loss of federal funds was not reflected in the Governor's budget.	FTEs	13.0	0.0
	Gross	\$2,512,300	\$36,400
	Federal	2,512,300	36,400
25. Consumer Protection Program Line supports motor fuel quality program, weights and measures, and metrology laboratory. Restricted revenue includes \$3.3 million from the Refined petroleum fund. House concurs with Executive and reflects reflects net \$1,500 decrease related to economic adjustments; \$150,000 reduction in restricted gasoline inspection and testing fees to reflect actual anticipated revenue; and \$50,000 in funding from new Renewable Fuels Fund.	FTEs	39.0	0.0
	Gross	\$5,768,800	(\$101,500)
	IDG	111,700	(111,700)
	Restricted	5,656,500	10,200
	GF/GP	\$600	\$0
26. Agriculture Development House concurs with Executive and proposes \$600,000 GF/GP baseline increase to support 5.0 FTE positions to assist with local and regional economic development activities, including promotion of agricultural exports. Also reflects \$45,700 in economic adjustments.	FTEs	5.0	5.0
	Gross	\$2,066,300	\$645,700
	Federal	1,532,800	34,000
	Restricted	102,200	2,300
	GF/GP	\$431,300	\$609,400
27. Grape and Wine Program House concurs with Executive and recognizes \$53,300 economic adjustment; \$17,600 decrease in restricted funds to reflect actual anticipated revenue.	FTEs	3.0	0.0
	Gross	\$752,900	\$35,700
	Restricted	752,900	35,700

Major Budget Changes From FY 2011-12 YTD Appropriations		FY 2011-12 Year-to-Date (as of 2/9/12)	FY 2012-13 House <u>Change</u>
28. Horse Racing Programs The fund source for this line item is the Agriculture Equine Industry Development Fund (AEIDF). Budget recognizes economic increase for grant administration function, and rolls up some horse racing grant lines.	FTEs	3.0	0.0
	Gross	\$3,139,200	\$22,500
	Restricted	3,139,200	22,500

<u>House Bill 5385 (H-1, Draft 2)</u> includes line item for Light horse breeders' awards.

	FY 2011-12	FY 2012-13	
	YTD	House	Difference
Horse racing administration	348,600	351,100	2,500
Purses & supplements-			
fairs/licensed tracks	611,400	708,300	96,900
Licensed tracks - light horse			
racing	34,100	40,300	6,200
Light horse breeder's			
awards	0	20,000	20,000
Standardbred (SB) breeders'			
awards	250,000	285,900	35,900
SB purses/supplements-			
licensed tracks	461,600	527,800	66,200
SB sire stakes	209,000	239,000	30,000
SB training and stabling	9,300	0	(9,300)
Thoroughbred owners'			
awards	31,900	0	(31,900)
Thoroughbred supplements-			
licensed tracks	309,600	385,900	76,300
Thoroughbred breeders			
awards	309,600	358,600	49,000
Thoroughbred sire stakes	214,100	244,800	30,700
Distribution of outstanding			
winning tickets	350,000	0	(350,000)
Total	\$3,139,200	\$3,161,700	\$22,500

29. Capital Outlay - Farmland/Open Space Acquisition House concurs with Executive and recommends appropriation of \$500,000 from state restricted Agriculture Preservation Fund; adjusts appropriation to reflect actual anticipated revenue.	Gross Federal Restricted	\$2,300,000 1,250,000 1,050,000	(\$1,800,000) (1,250,000) (550,000)
30. One-Time –State Employee One-Time Lump-Sum Payment House includes \$470,300 Gross (\$235,300 GF/GP) appropriation for negotiated one-time lump sum payments to state employees. Executive had shown this as a boilerplate appropriation.	Gross	\$0	\$470,300
	IDG	0	2,400
	Federal	0	85,000
	Restricted	0	146,100
	GF/GP	\$0	\$235,300
31. One-Time -Private Forest Development Program House includes \$500,000 GF/GP for Private Forestry Initiative program, to provide assistance to private landowners in managing forest land. This program will be carried out through grants to local conservation districts. Appropriation is identified as one-time. Executive had shown this as a boilerplate appropriation.	FTEs	0.0	0.0
	Gross	\$0	\$500,000
	GF/GP	\$0	\$500,000

Major Budget Changes From FY 2011-12 YTD Appropriations		FY 2011-12 Year-to-Date (as of 2/9/12)	FY 2012-13 House <u>Change</u>
32. One-Time – Healthy Food Program	FTEs	0.0	5.0
House includes appropriation for a new Healthy Food Program to "improve	Gross	\$0	\$1,500,000
farm food safety and provide access to affordable, fresh, and healthy food.	GF/GP	\$0	\$1,500,000
Funding will assist in meeting and implementing new food safety			

\$500,000 would be used to support additional staffing in needed to develop and implement preventative food safety measures associated with the FDA Food Safety Modernization Act. Department indicates that of the \$500,000, \$93,200 would be used in the Food and Dairy, \$270,000 in Laboratory, and \$136,800 for Animal Health.

\$1.0 million would be used for grants (five grants up to \$200,000 each) to support regional food hubs. See boilerplate Sec. 1101.

Executive had shown this as a boilerplate appropriation.

33. Economics

requirements."

Net economic increase of \$1.2 million Gross (\$716,400 GF/GP), reflects \$408,300 increase for negotiated employee salary and wages; \$2.9 million decrease for actuarially-required retirement contributions; \$270,600 decrease for employee insurances; \$54,600 reduction in worker's compensation costs; \$16,800 increase in building occupancy. Economic increase also reflects \$4.0 million Gross (\$2.0 million GF/GP) for Other Post Retirement Benefit contribution. Economic increase of \$1.4 million Gross (\$682,600 GF/GP) projected for FY 2013-14.

Economic changes are included in the above line item change descriptions.

34. New Fees/Fee Extensions

Budget assumes the extension of certain fees currently scheduled to sunset. Those fees and related estimated revenue are: Nursery and Plant Grower's license fees, \$250,000; Pesticide applicator registration fees, \$100,000; and Livestock dealer's fees, \$21,000.

Budget includes \$4.0 million in appropriations from the Refined Petroleum Fund, a fund administered by the Department of Environmental Quality; budget assumes that the December 2012 sunset of the refined petroleum regulatory fee will be extended.

Major Boilerplate Changes From FY 2011-12

Sec. 201. Total State Payments/Payments to Local Units - MODIFIED

Identifies total state spending and payments of state funds to local units of government. Updated to reflect Part 1 appropriations.

Sec. 202. Management and Budget Act - RETAINED

Indicates that appropriations are subject to the Management and Budget Act.

Sec. 203. Abbreviations - RETAINED

Defines abbreviations used in the bill.

Sec. 204. Civil Service Charge – RETAINED

Requires Department of Civil Service to bill departments at the end of the first fiscal quarter for 1% charge authorized in the Constitution; payment by the end of the second fiscal quarter.

Sec. 206. Contingency Appropriations – RETAINED

Provides for contingent federal, state, local, and private appropriations per DMB Act; renumbered as Sec. 1-203.

Sec. 207. Transparency Report – RETAINED

Directs department to develop, post, and maintain on a publically accessible website expenditures made during the fiscal year.

Sec. 208. Internet Reporting - RETAINED

Requires department to use the Internet to fulfill reporting requirements.

Sec. 209. Purchase of Foreign Goods - RETAINED

Prohibits the purchase of foreign-made goods if comparable American or Michigan goods are available. Gives preference to Michigan businesses owned or operated by veterans.

Sec. 211. Information Technology – RETAINED

Allows establishment of IT projects as Work Projects.

Sec. 212. Receive/Retain Reports - RETAINED

Requires department to retain reports funded from appropriation in part 1.

Sec. 214. Information Technology – RETAINED

Requires department to pay user fees to Department of Technology, Management, and Budget subject to provisions of interagency agreement.

Sec. 215. Communication with the Legislature – RETAINED

Prohibits the department from taking disciplinary action against an employee for communicating with a legislator or his/her staff.

Sec. 218. Out-of-State Travel - NEW

Provides for out-of-state travel report.

Sec. 219. DTMB Office Space Plan - NEW

Directs state executive branch agencies to cooperate with DTMB office space consolidation plan.

Major Boilerplate Changes From FY 2011-12

Sec. 228. General Fund Lapse Report – RETAINED

Requires report on estimated GF/GP lapses.

Sec. 229. Restricted Fund Balance Report – RETAINED

Requires report on restricted fund revenue, expenditure, and balances.

Sec. 301. Miscellaneous Revenue/Expenditures – RETAINED

Allows department to receive/expend revenue to cover expenses related to publications, audits, sales, inspections, and other department functions; requires legislative notification 30 days prior to proposing fee increases; requires annual report on fees charged by department.

Sec. 302. Grant Notification - RETAINED

Requires notice of grants made to local units of government, institutions of higher education, or non-profit organizations.

Sec. 402. Food-borne Illness Report - RETAINED

Requires department to provide reports on food-borne outbreaks and emergencies related to food safety.

Sec. 450. Bovine Tuberculosis – Reimburse DNR for Monitoring/Testing – DELETED

Requires department to reimburse DNR for monitoring and testing for Bovine TB.

Sec. 451 Bovine Tuberculosis Split State Status - DELETED

Requires department to pay for all whole-herd and individual-animal testing costs to maintain split-state status, including indemnity.

Sec. 453. Indemnification Payments - DELETED

Authorizes department to provide for indemnity pursuant to Animal Industry Act; limits indemnification orders to \$100,000 per order; provides for report. Subsection (2) authorizes department to indemnify for livestock killed by wolves, coyotes, or cougars.

Sec. 454. Bovine TB - RETAINED

Directs department to collaborate with USDA and work to eradicate Bovine TB.

Sec. 456. Electronic Animal Identification (EID) – RETAINED

Prohibits use of funds to enforce EID program for domestic animals other than cattle without specific authorization in statute.

Sec. 607. Inter-County Drain Program – RETAINED

Indicates legislative intent that department continue its activities as provided under the Drain Code.

Sec. 608. MAEAP and Lake St. Clair Water Quality - NEW

Directs the department to address water quality issues affecting Lake St. Clair, including non-point source pollution.

Sec. 706. Agricultural Development – RETAINED

Requires department to report on agricultural development and export market development activities.

Sec. 709. Grape and Wine Industry Council - RETAINED

Requires department to provide report describing activities of the council.

Sec. 801. Ag Equine Industry Development Fund – RETAINED

Requires that all appropriations in part 1 from the AEIDF be spent for equine-related purposes.

Sec. 802. Agriculture Equine Fund Reduction – RETAINED

Requires that department make proportionate reductions in AEIDF appropriations, except for the racing commission and laboratory analysis, if AEIDF revenue falls below original appropriation amounts.

Major Boilerplate Changes From FY 2011-12

Sec. 803. Thoroughbred Program Escrow - RETAINED

Provides for "escrowing" of funds for thoroughbred program.

Sec. 804. Michigan Gaming Control Board - RETAINED

Requires MGCB to use actual expenditure data in determining regulatory costs.

Sec. 805. County Fair Capital Grant Program - NEW

Provides for matching program for county fair capital grants appropriated in part 1.

Sec. 1002. Provisions Regarding Lump Sum Payments – RETAINED

Indicates that the director shall allocate lump-sum appropriations made in this act consistent with statutory provisions and the purposes for which funds were appropriated. Limits lump sum appropriation carry forward to no more than 3 fiscal years following appropriation and provides for lapse of funds to original fund source per DMB Act.

Sec. 1003. Provisions Regarding Carry Forward Authority - RETAINED

Provides for appropriation carry-forward authority per DMB Act.

Sec. 1101. Provisions Regarding Healthy Food Grant Program - NEW

Provides criteria for the one-time Health Food (food hubs) grant program: grants not to exceed \$200,000. Provides for report.

Sec. 1201. Provisions FY 2012-13 Appropriations - MODIFIED

Indicates legislative intent with regard to FY 2013-14 appropriations.