



Background Briefing

Agriculture and Rural Development

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December 2013

The fiscal information in this background briefing is based on data through December 31, 2013.

DARD Overview

The Department was established by 1921 PA 13 to "foster and promote in every possible way the agricultural interests of this state". The five-member bi-partisan Commission of Agriculture and Rural Development was also established. Members of the Commission are appointed by the Governor, with the consent of the Senate, for four-year terms.

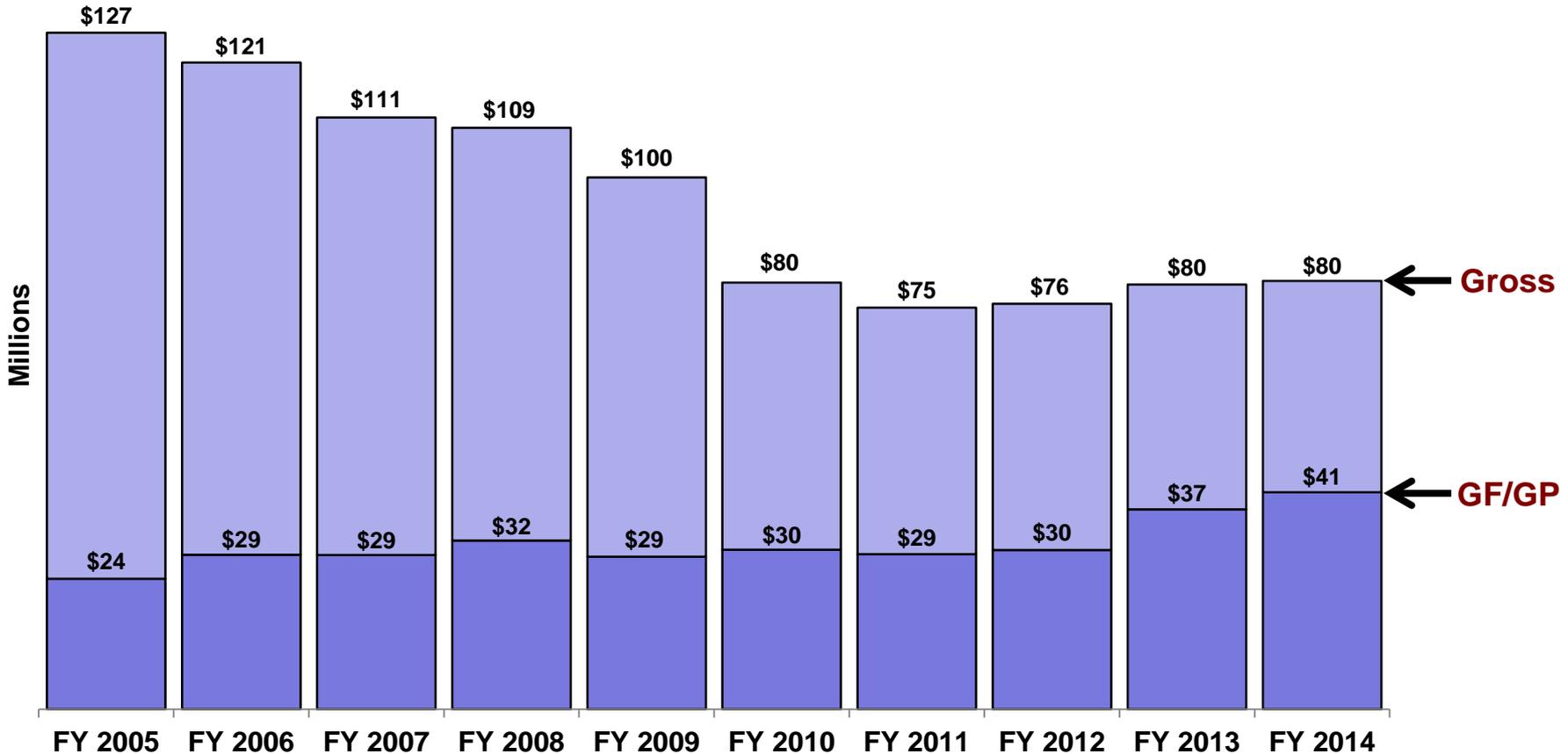
The Department's stated mission and priorities are to:

- Assure food safety
- Protect animal and plant health
- Sustain environmental stewardship
- Provide consumer protection
- Enable rural development
- Foster efficient administrative operations in overseeing agricultural production and consumption

The Department name was changed from Department of Agriculture to Department of Agriculture and Rural Development by Executive Order 2011-2.

DARD Historical Appropriations

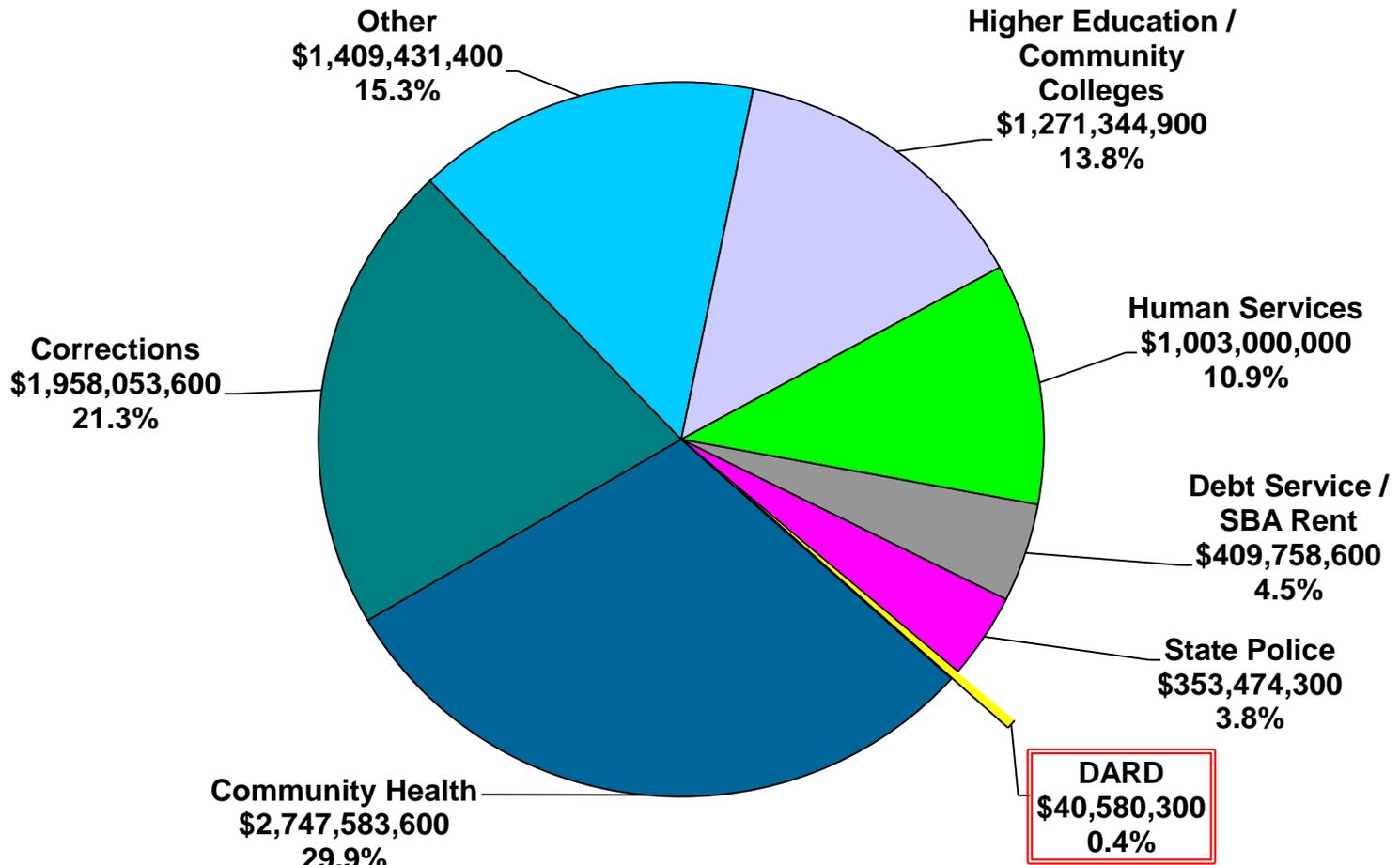
- Decreases in Gross between FY 05 and FY 10 primarily due to transfer of State Fair to DMB, reductions of Casino Wagering Tax revenues, reductions in Emerald Ash Borer program, elimination of IDG to DCH for local food service inspections, reductions in horse racing programs and transfer of ORC to MGCB, and expenditure reductions by executive order
- Increases in General Fund between FY 12 and FY 14 primarily due to economic development initiatives, expanded local grant programs, various one-time projects, and restricted fund offsets



DARD Share of State GF/GP

DARD makes up 0.4% of the total state GF/GP budget

FY 2013-14 GF/GP Total = \$9,193,226,700

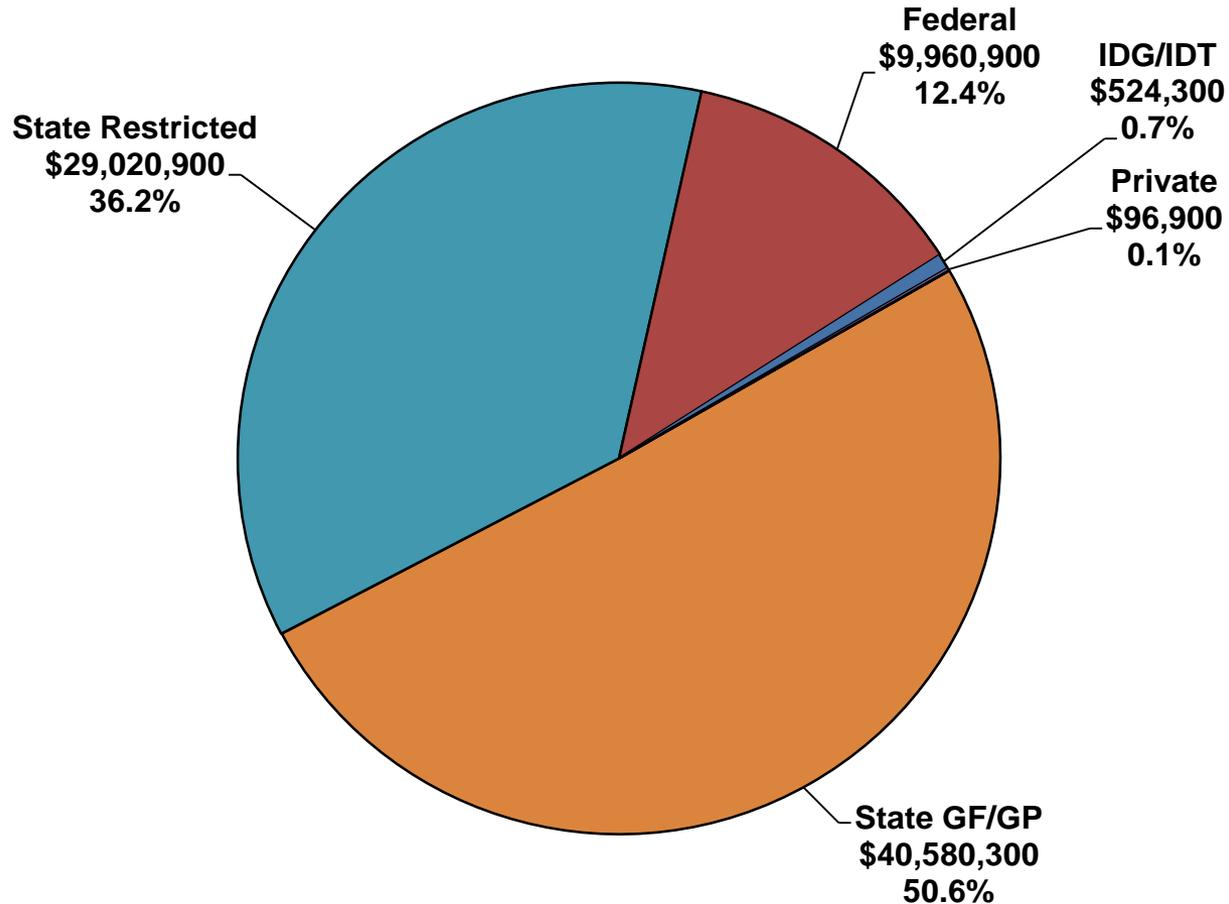


SOURCES OF FUNDING

DARD Funding Sources

State GF/GP constitutes 50.6%, state restricted funds constitute 36.2%, and federal revenues constitute 12.4% of DARD revenues

FY 2013-14 DARD Total Appropriation = \$80,183,300



STATE APPROPRIATIONS

DARD Appropriation

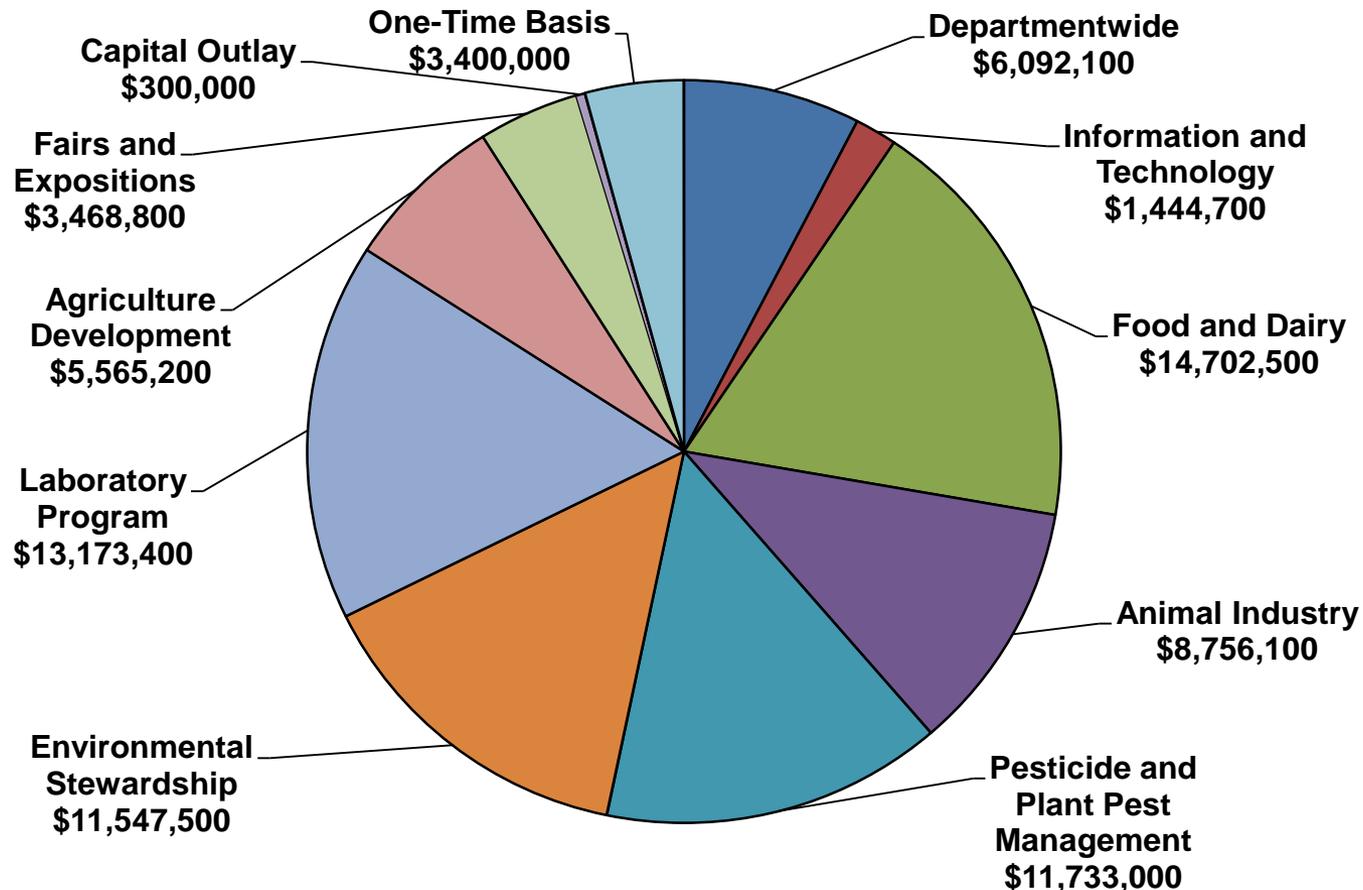
The DARD budget is allocated into these appropriation units:

- Departmentwide
- Information and Technology
- Food and Dairy
- Animal Industry
- Pesticide and Plant Pest Management
- Environmental Stewardship
- Laboratory Program
- Agriculture Development
- Fairs and Expositions
- Capital Outlay
- One-Time Basis

DARD Appropriation

Food and Dairy, Animal Industry, Pesticide and Plant Pest Management, Environmental Stewardship, and Laboratory Program constitute 74.7% of the DARD appropriation

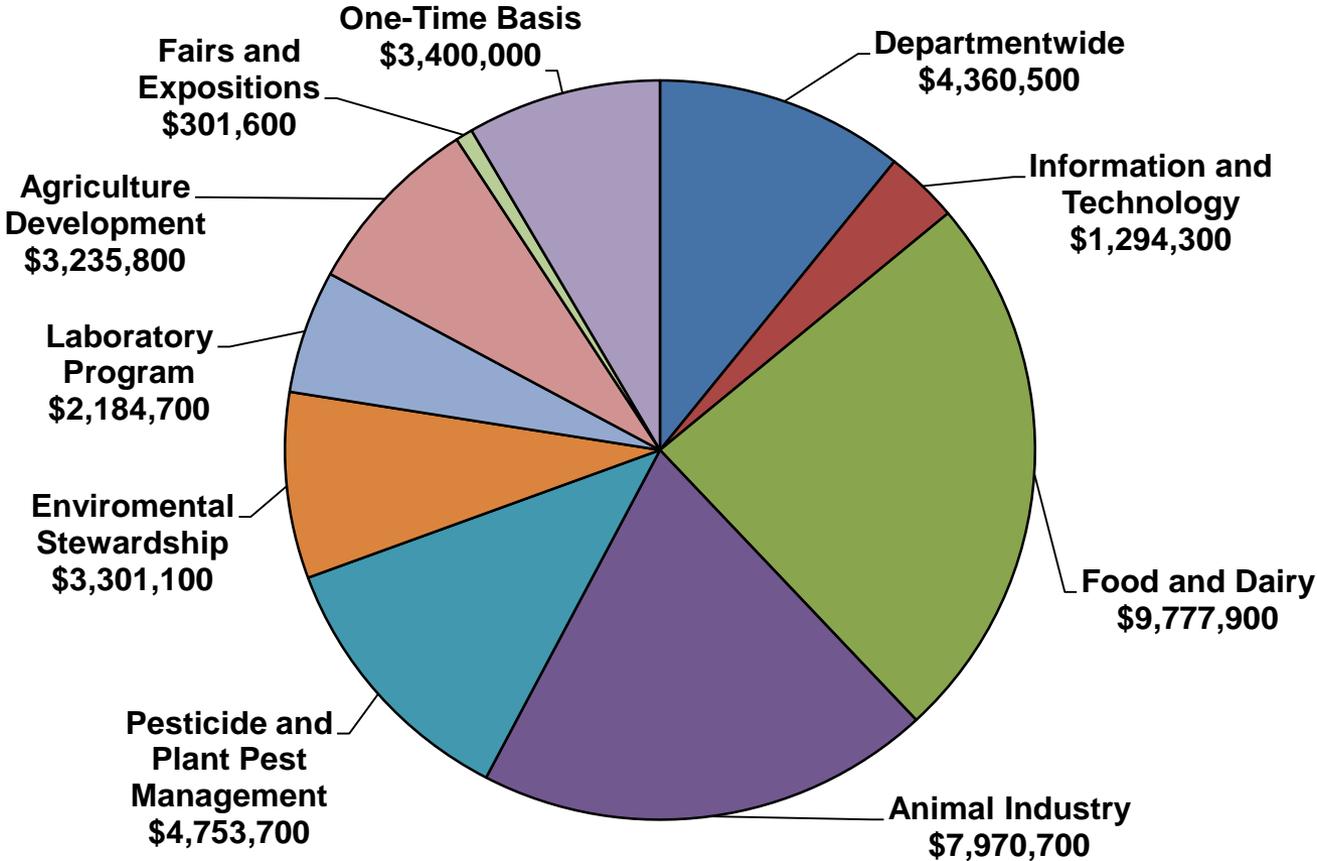
FY 2013-14 DARD Appropriation = \$80,183,300



DARD GF/GP Appropriation

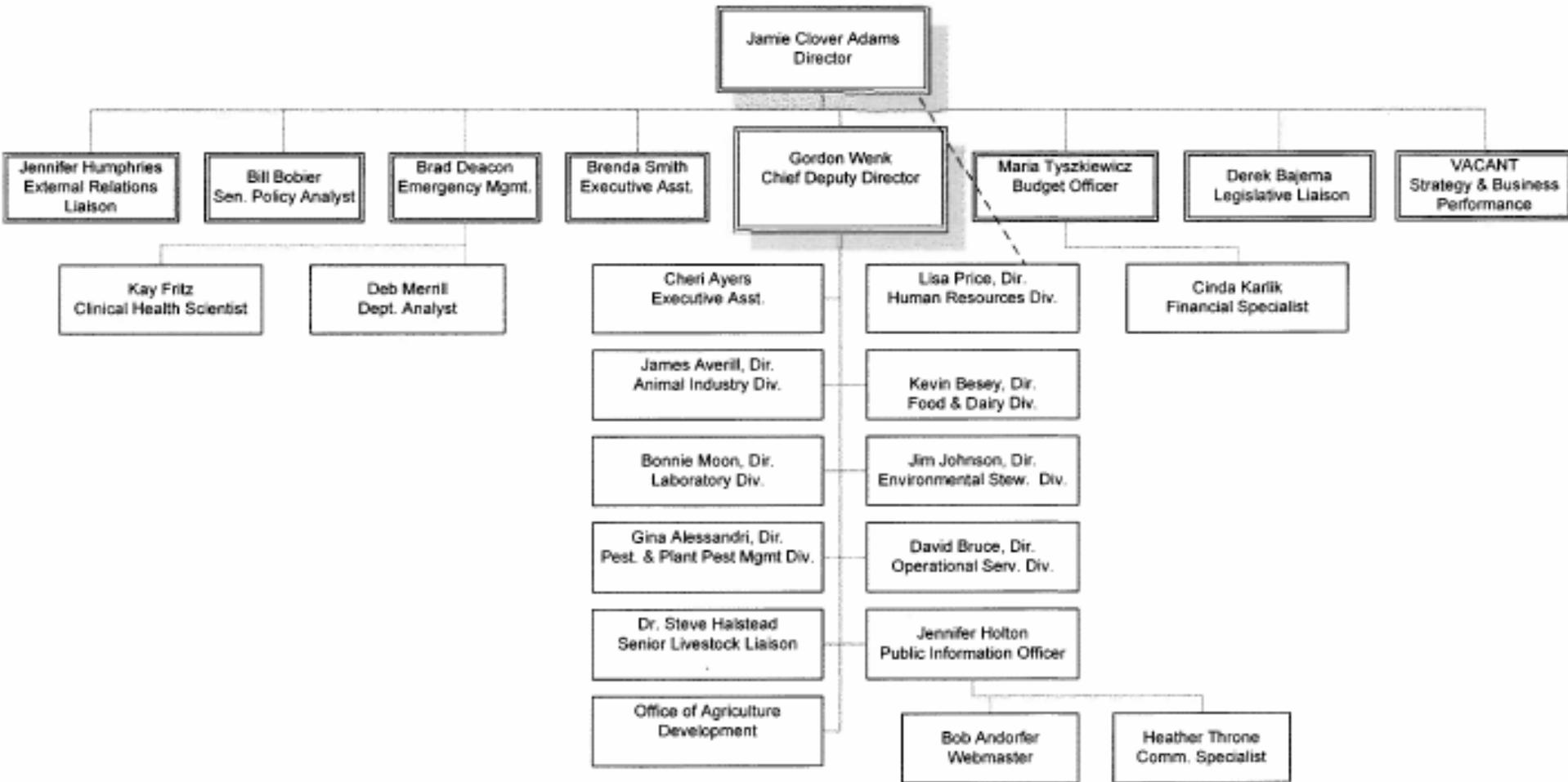
Food and Dairy, Animal Industry, and Pesticide and Plant Pest Management constitute 55.5% of the DARD GF/GP appropriation

FY 2013-14 DARD GF/GP Appropriation = \$40,580,300



MAJOR BUDGET TOPICS

DARD Organizational Chart



DARD Divisions

DARD is organized into the following divisions:

- **Food and Dairy Division**
- **Laboratory Division**
- **Animal Industry Division**
- **Environmental Stewardship Division**
- **Operational Services and Central Licensing Division**
- **Pesticide and Plant Pest Management Division**
- **Executive Office**
- **Office of Agriculture Development**
- **Emergency Preparedness Program**
- **Human Resources Division (CSC)**

DARD Sources of Funding

State Restricted Revenues

Comprised of licensing and regulation fees and fines levied on individuals and entities engaged in the agricultural and food industries regulated under DARD.

Federal Revenues

Comprised of grants from the Departments of Agriculture, Health & Human Services, Labor, and the Environmental Protection Agency.

Private Revenues

Funding from private entities used by DARD.

State General Fund Revenue

The state's primary operating fund which does not include restricted revenue.

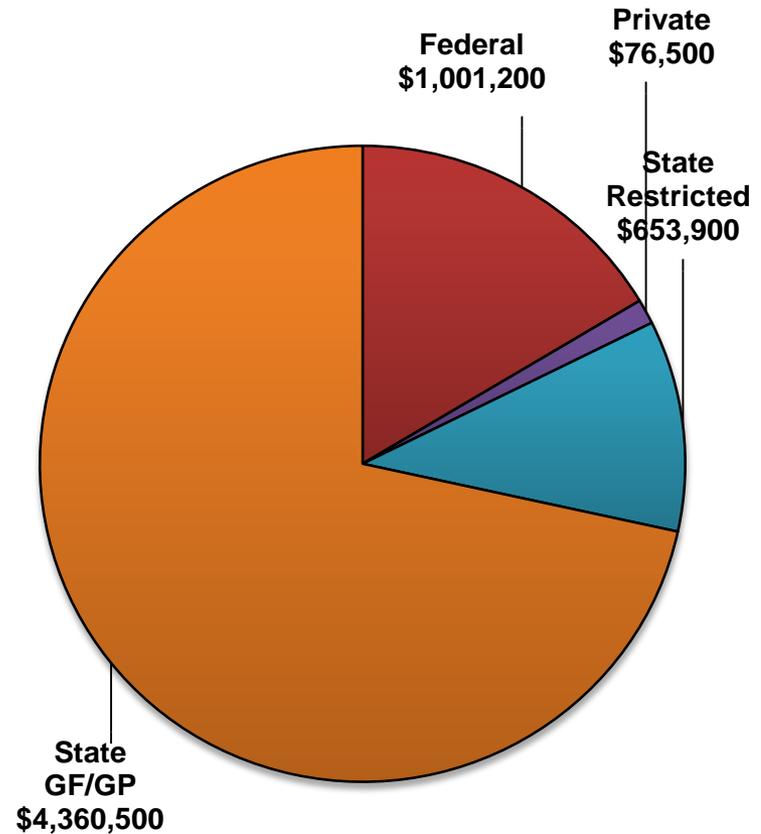
Interdepartmental Grant Revenues

Revenue appropriated for various state departments and granted to DARD for specified purposes.

Departmentwide

This appropriations unit supports Executive Office functions which provide administrative direction and program oversight for the Department. The unit also funds the Department's administrative support functions, the Michigan Agricultural Statistics Service, emergency management functions, costs of certain commissions and boards, and rent and building occupancy costs.

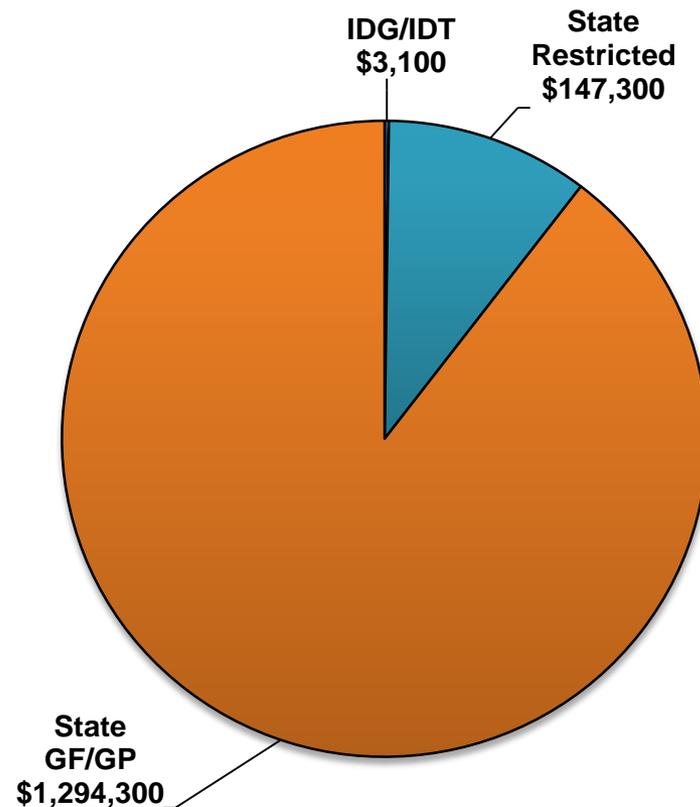
FY 2013-14 Total = \$6,092,100



Information and Technology

This appropriation unit supports information technology services and projects centrally administered by the Department of Technology, Management and Budget (DTMB).

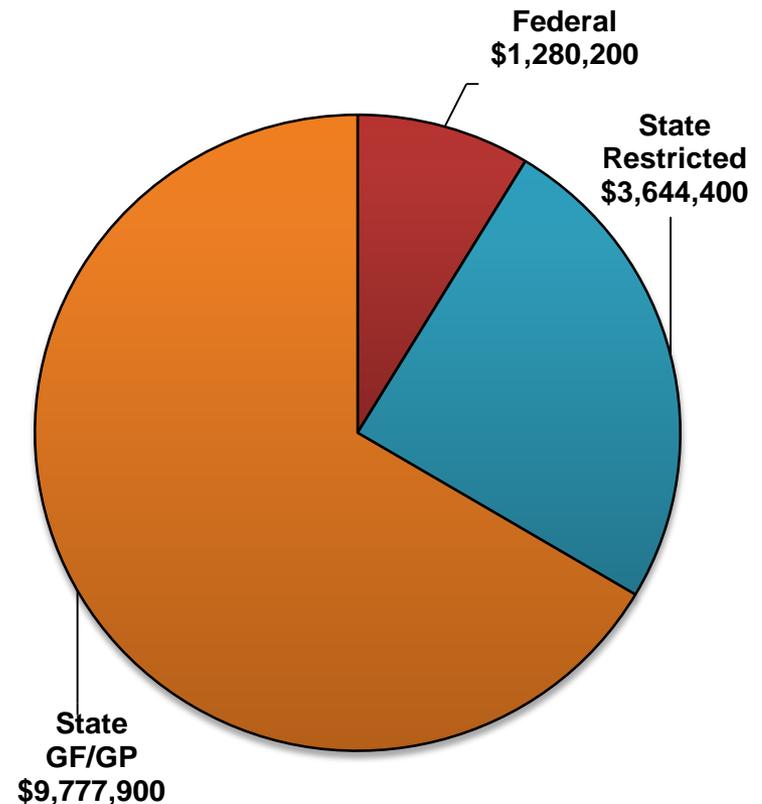
FY 2013-14 Total = \$1,444,700



Food and Dairy

This appropriation unit supports a variety of Department-administered food safety programs including oversight of local health department food safety inspection activities. Program activities are authorized under the Food Law of 2000 (2000 PA 92), the Manufacturing Milk Law (2001 PA 267), and the Grade A Milk Law (2001 PA 266).

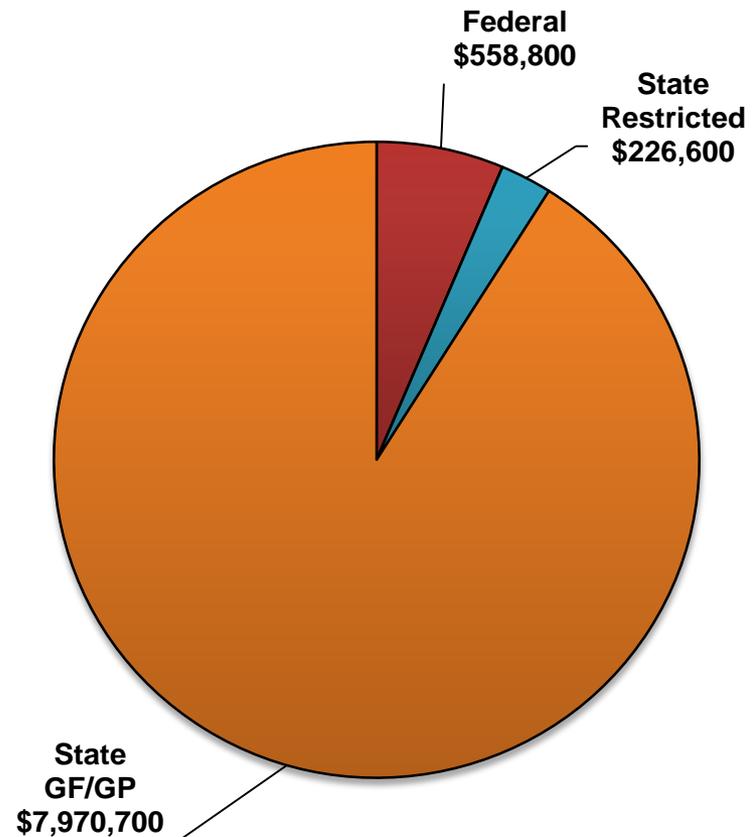
FY 2013-14 Total = \$14,702,500



Animal Industry

This appropriation unit supports the protection of public health and the health and welfare of domestic animals, livestock, and pets. The State Veterinarian is responsible for animal disease surveillance and control programs, and toxic substance contamination concerns related to animal health.

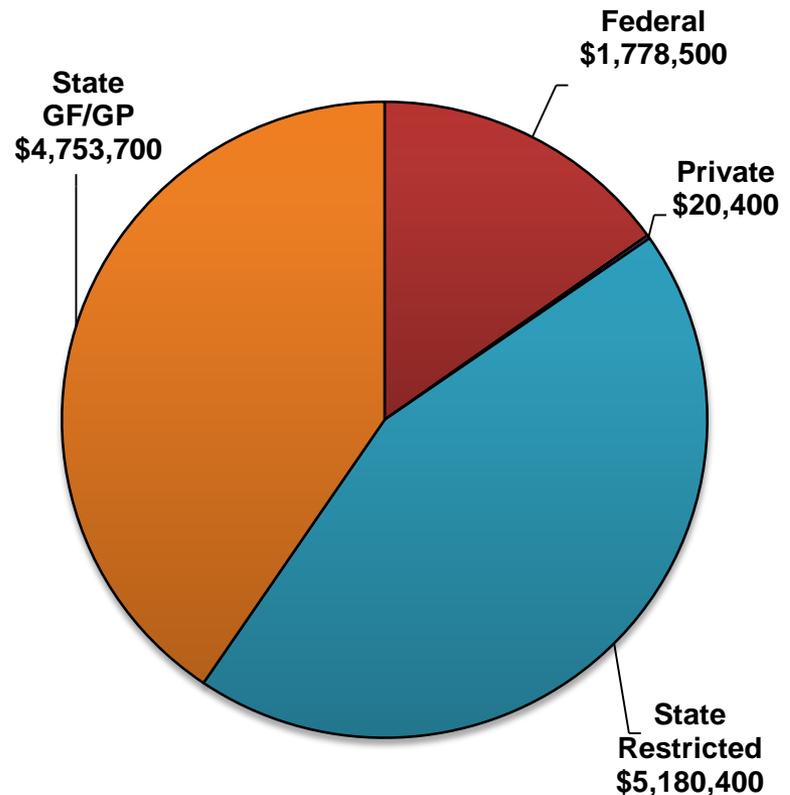
FY 2013-14 Total = \$8,756,100



Pesticide and Plant Pest Management

This appropriation unit supports the implementation of programs and enforcement of laws concerning exotic and invasive pest management, pesticide, fertilizer and agrichemical sale and use, commodity inspection and certification for export and import, and animal feed and drugs.

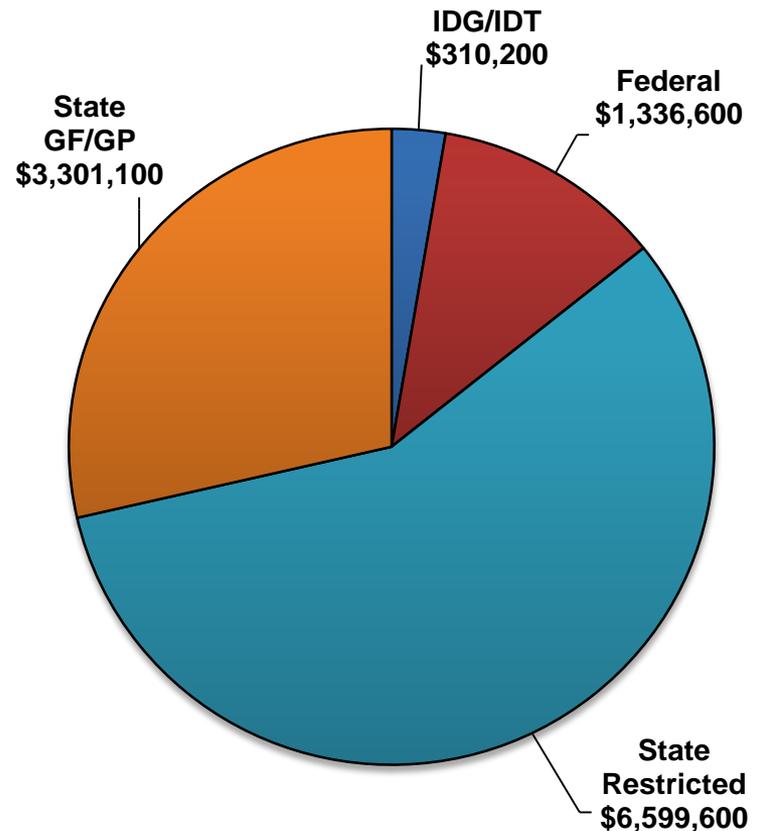
FY 2013-14 Total = \$11,733,000



Environmental Stewardship

This appropriation unit supports assistance to local conservation districts, local governments, drain commissioners, and land users with conservation and development of state soil and water resources. Programs encourage installing and managing sustainable resource protection practices at the local level.

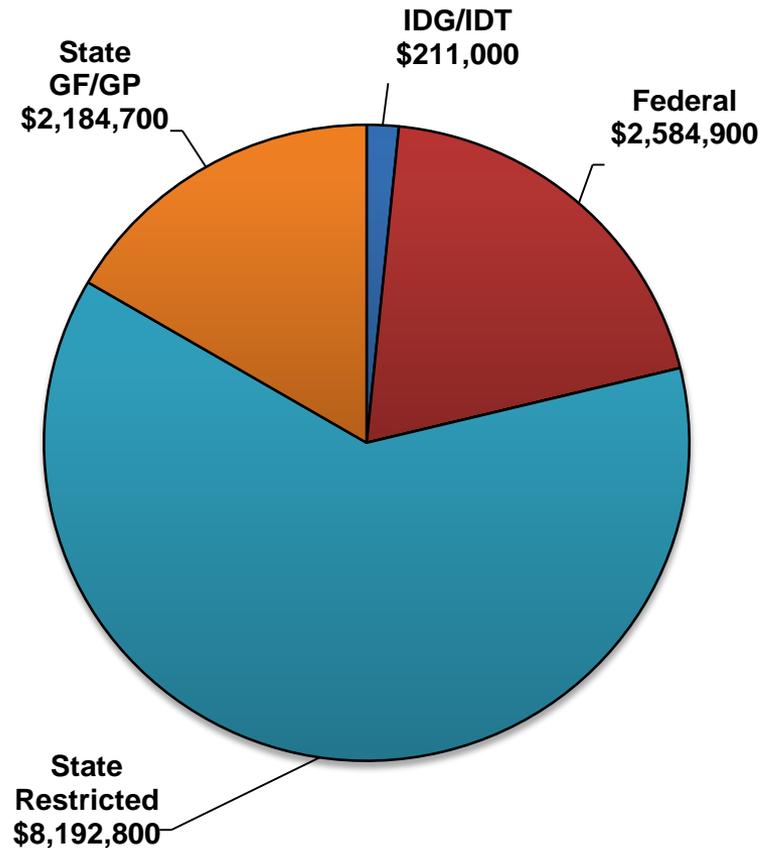
FY 2013-14 Total = \$11,547,500



Laboratory Program

This appropriation supports analytical and diagnostic testing services and inspection programs for consumers, industry, and government agencies. The Laboratory Division provides scientific and analytical services in support of programs of the Department and other agencies, both federal and state, and testing and consulting services on a fee basis to Michigan's industry and private citizens. The division operates two laboratories: the W. C. Geagley Laboratory in East Lansing and the E. C. Heffron Metrology Laboratory in Williamston.

FY 2013-14 Total = \$13,173,400



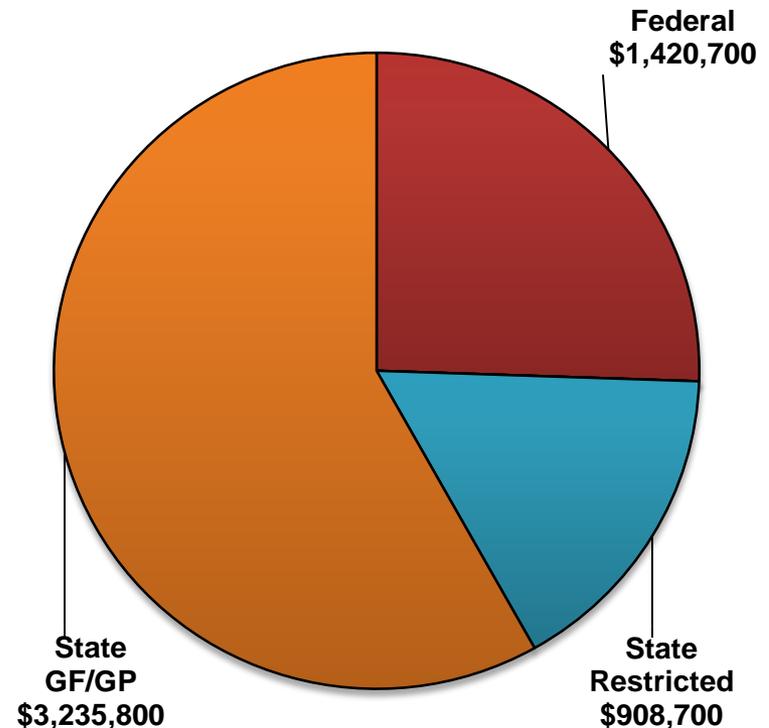
Agriculture Development

This appropriation unit supports the Office of Agriculture Development which coordinates with farm owners and processing plant owners to provide domestic and international opportunities to expand and create jobs in Michigan's agriculture industry.

The Office administers the following grant programs:

- Value Added/Regional Food Systems grants
- Strategic Growth Initiative grants
- Specialty Crop Block Grants

FY 2013-14 Total = \$5,565,200

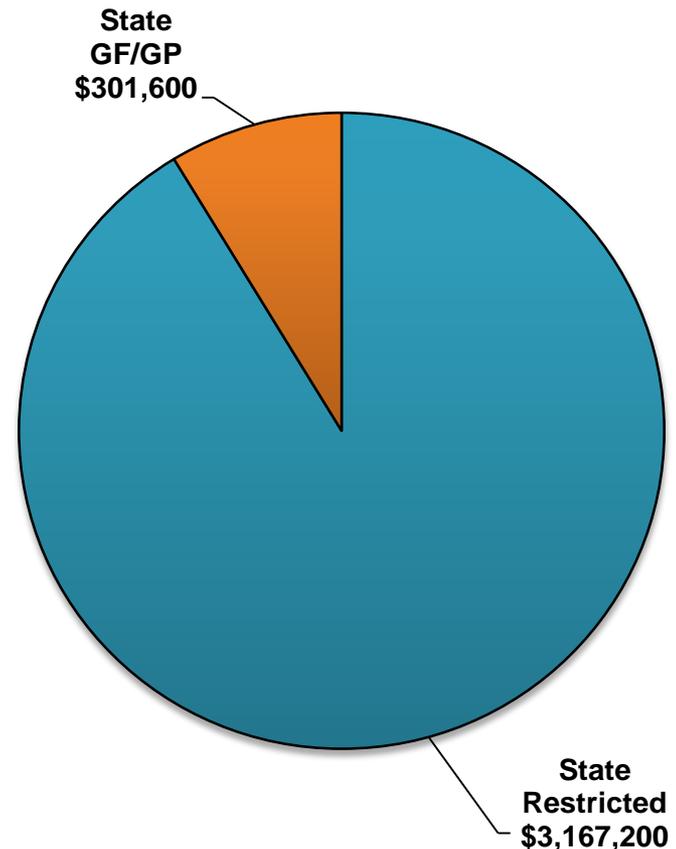


Fairs and Expositions

This appropriation unit supports operations of the Fairs and Racing Unit and provides funding for purses and awards for horse racing at pari-mutuel tracks and county fairs as provided under the Horse Racing Law of 1995.

Regulatory oversight of the pari-mutuel horse racing industry is the responsibility of the Office of Racing Commissioner. The Office was transferred to the Department of Treasury, Michigan Gaming Control Board by Executive Order 2009-45, and is now funded in the General Government Article of the state budget act.

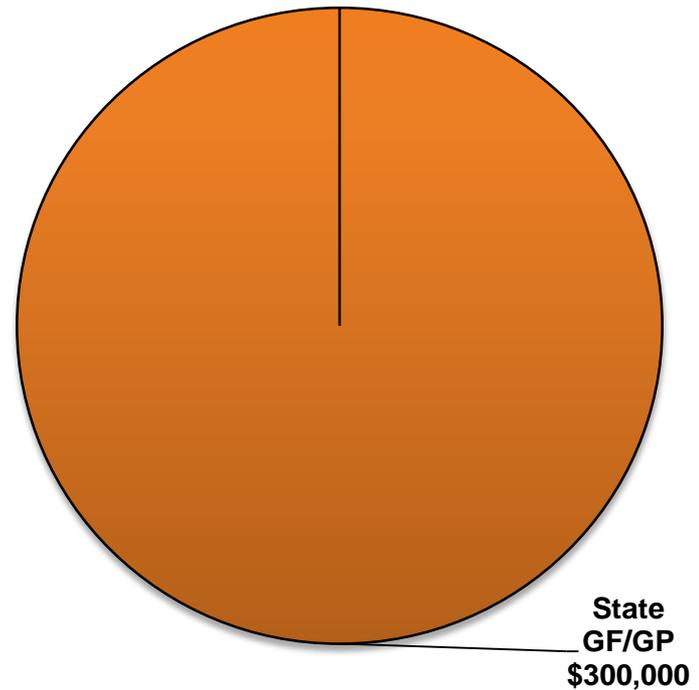
FY 2013-14 Total = \$3,468,800



Capital Outlay

This appropriations unit supports the purchase of development rights of unique or critical farmland under the Farmland and Open Space Preservation Act.

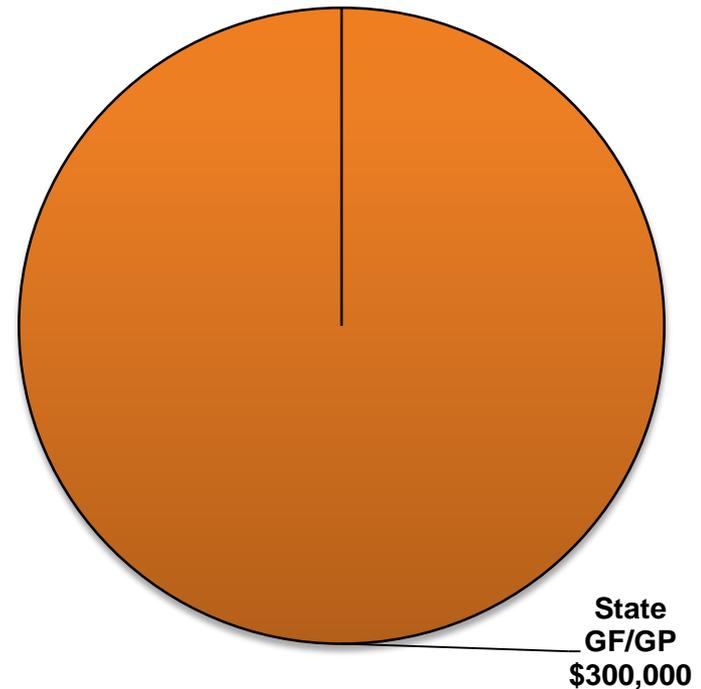
FY 2013-14 Total = \$300,000



One-Time Basis Only

This appropriation unit supports FY 2013-14 appropriations which are intended by the Legislature to be one-time allocations that will not be reauthorized in future fiscal years. This includes appropriations for an Ottawa County water resources study, a qualified forest affidavit program, and pesticide and plant pest management.

FY 2013-14 Total = \$300,000



MI Agriculture Environmental Assurance Program

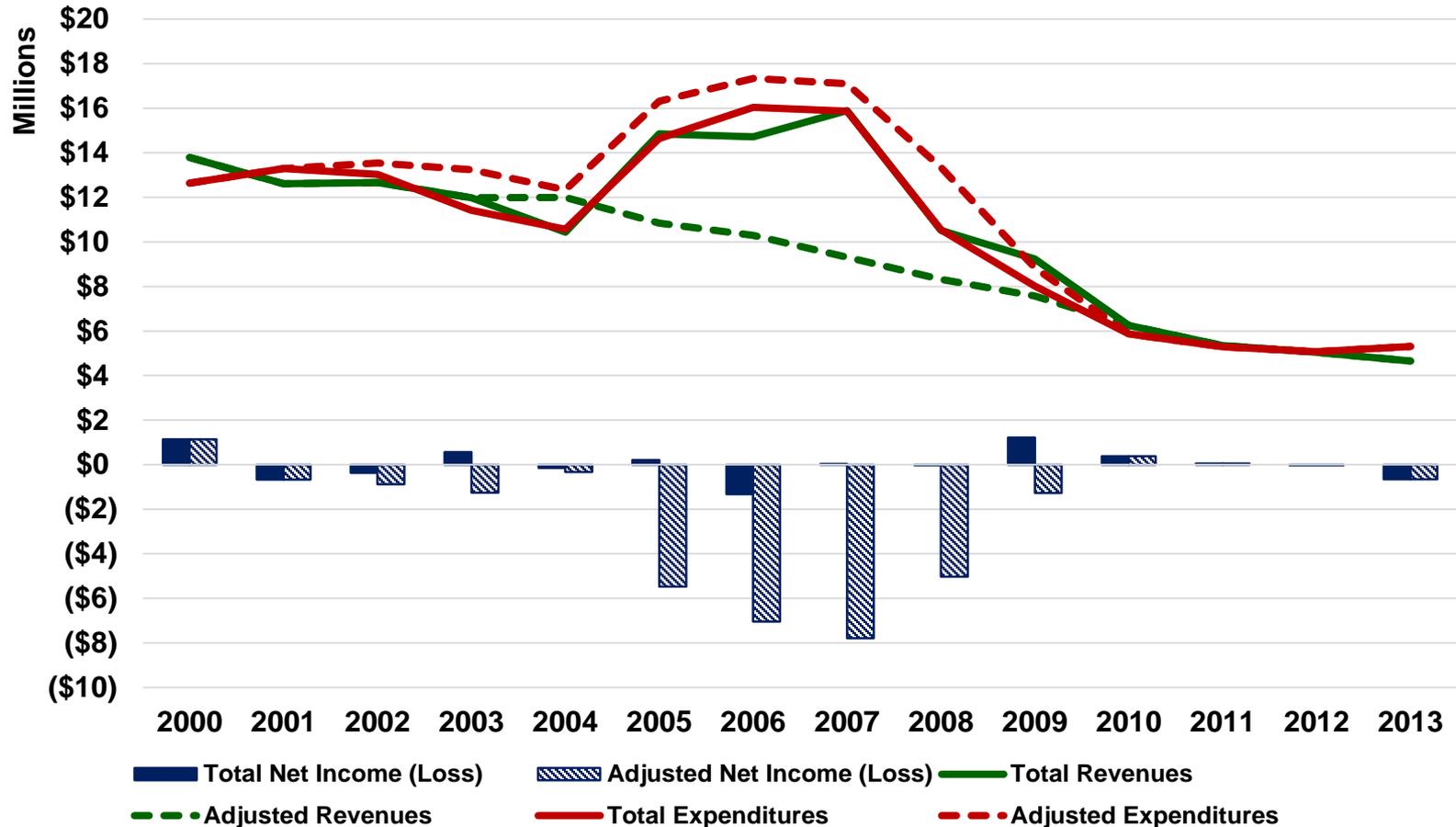
- **MAEAP is a voluntary program, codified in statute by 2011 PAs 1 and 2, to reduce agricultural producers' legal and environmental liability by instructing producers how to identify, evaluate, mitigate, and prevent the agricultural pollution risks engendered by their operations via education, assessment, planning, and verification processes**
- **Number of annual MAEAP verifications and re-verifications, and total verified systems:**
 - 116 verifications and 109 re-verifications during FY 2009-10, for a total of 593 verified systems
 - 143 verifications and 136 re-verifications during FY 2010-11, for a total of 704 verified systems
 - 356 verifications and 192 re-verifications during FY 2011-12, for a total of 1,052 verified systems
 - 528 verifications and 233 re-verifications during FY 2013-14, for a total of 1,578 verified systems
- **Expenditures are made under the MAEAP for:**
 - Administration, monitoring, and verification by DARD staff
 - Grants to conservation districts for education sessions, assessments, and technical assistance
- **MAEAP Expenditures (DARD amounts include administrative costs of non-MAEAP programs):**
 - \$2.2 million for DARD and \$1.3 million for grants during FY 2010-11 (\$262,000 in GF/GP)
 - \$2.5 million for DARD and \$1.5 million for grants during FY 2011-12 (\$273,593 in GF/GP)
 - \$3.2 million for DARD and \$2.2 million for grants during FY 2012-13 (\$1.6 million in GF/GP)
 - \$300,000 of the GF/GP was included as one-time by Legislative Transfer 2013-09
- **FTEs employed for the MAEAP:**
 - 15.0 at DARD and 24.75 at conservation districts during FY 2010-11
 - 15.0 at DARD and 28.0 at conservation districts during FY 2011-12
 - 18.5 at DARD and 36.0 at conservation districts during FY 2012-13

Horse Racing Programs

- Pari-mutual wagering on horse race meetings is regulated under the Horse Racing Law of 1995
- There were 167 live and 1,176 simulcast race meets in 2012 exhibited at four licensed horse racing tracks in Michigan (Hazel Park Harness Raceway, Mount Pleasant Meadows, Northville Downs, and Sports Creek Raceway)
- **The Agriculture Equine Industry Development Fund (AEIDF) receives revenue generated by simulcast wagering taxes, uncashed winning tickets, licensing fees, and fines**
- The Office of Racing Commissioner, which regulates the horse racing industry, was transferred from DARD to the Michigan Gaming Control Board in 2009 and is currently supported with the AEIDF
- The Horse Racing Law of 1995 and annual DARD appropriation acts determine purses, supplements, stakes, and awards for individuals within the horse racing industry, supported with the AEIDF
- **The number of live and simulcast race meets and the amount of revenue generated for the AEIDF has steadily decreased since 2000**
- The AEIDF experienced various subsidies, transfers, and atypical expenditures between 2002 and 2009

Horse Racing Programs

AEIDF Revenues, Expenditures, & Net Income (Loss)
Incl. Adjustments for Subsidies, Transfers, and Atypical Expenditures



Agricultural Development Grant Programs

- **Specialty Crop Block Grant Program (Farm Bill)**
 - Intended to enhance the competitiveness of specialty crops (fresh and dried fruits, vegetables, tree nuts, horticulture, and nursery crops) through research, education, promotion, marketing, innovation, product development, distribution efficiencies, trade enhancement, etc.
 - Businesses, nonprofit organizations, governmental entities, and education institutions may apply for grants amounting between \$10,000 and \$75,000
 - \$1.4 million in federal funds appropriated for FY 2013-14

- **Value Added/Regional Food Systems Grant Program**
 - Intended to establish, attract, retain, expand, and/or develop value added agricultural processing and regional food systems by enhancing or facilitating aggregation and distribution of Michigan-grown agricultural products
 - Businesses, nonprofit organizations, agricultural cooperatives, producer networks and associations, and economic development organizations may apply for grants not exceeding \$75,000
 - \$1.1 million in GF/GP appropriated for FY 2013-14, FY 2012-13 was initial year of the program with \$2.0 million appropriated (incl. \$900,000 in one-time funds)

- **Strategic Growth Initiative Grant Program**
 - Intended to increase the economic impact of the food and agriculture industry by removing existing barriers, leveraging opportunities identified by stakeholders as critical to business development, and utilizing the latest technologies
 - Legal entities recognized by the IRS and registered as a vendor with the State of Michigan may apply for grants, generally, not exceeding \$250,000
 - FY 2013-14 is the initial year of the program with \$1.0 million in GF/GP appropriated within the DARD budget, additional funding of \$1.25 million was made available through the MEDC

**For more information about the
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