



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 provides funding to do the following:
 - Assure food safety
 - Protect animal and plant health
 - Sustain environmental stewardship
 - Provide consumer protection
 - Enable rural development

Key Budget Terms

Fiscal Year: The state's fiscal year (FY) runs from October to September. FY 2016-17 is October 1, 2016 through September 30, 2017.

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 in a budget bill which establishes spending authorization for a particular program or function.

Boilerplate: Specific language sections in a budget bill which direct, limit, or restrict line item expenditures, express legislative intent, and/or require reports.

Lapse: 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.

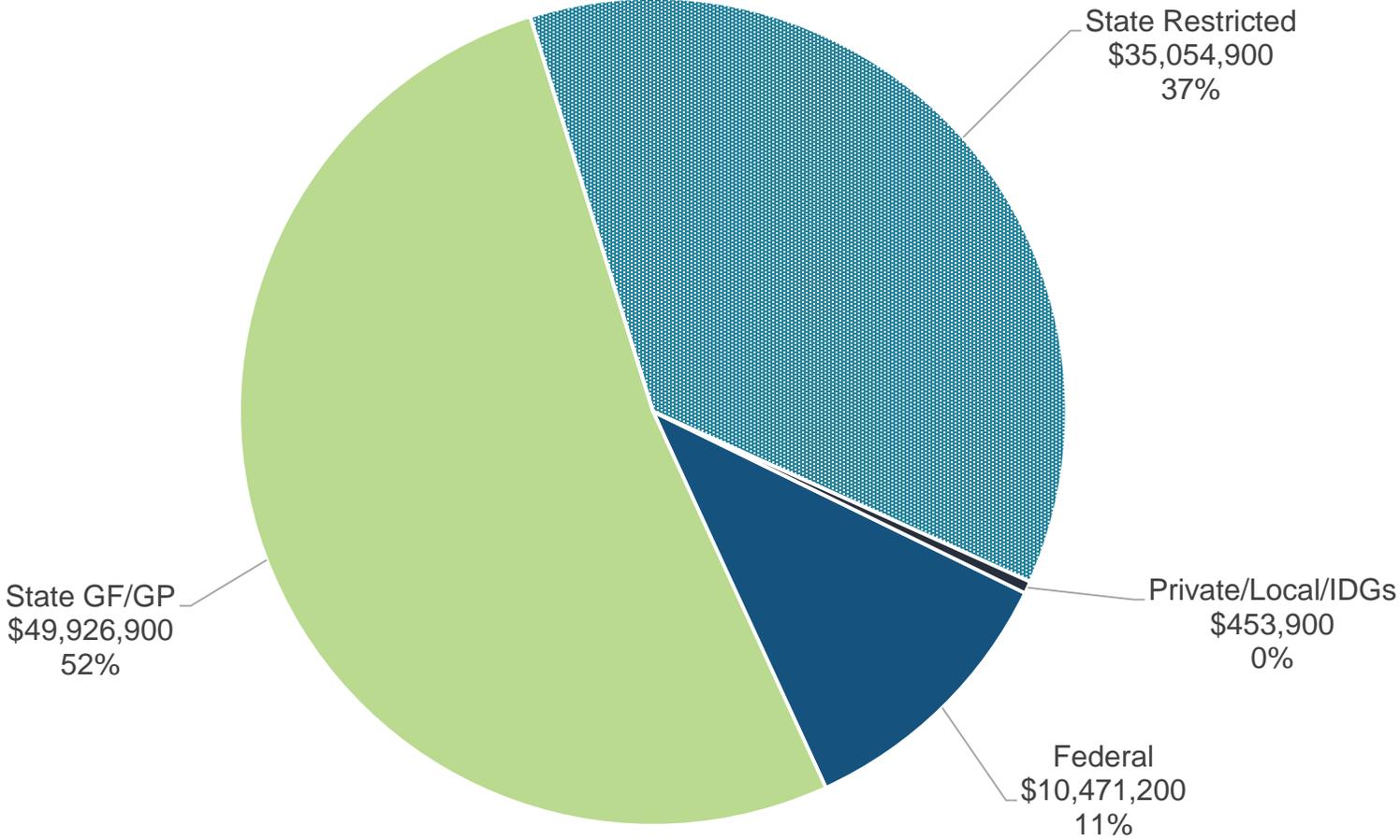
Funding Sources

FY 2016-17 MDARD Budget

| Fund Source | Funding | Description |
|--|--------------|--|
| Gross Appropriations | \$95,906,900 | Total spending authority from all revenue sources |
| Interdepartmental Grants (IDG) Revenue | 323,200 | Funds received by one state department from another state department, usually for services provided |
| Adjusted Gross Appropriations | \$95,583,700 | Gross appropriations excluding IDGs; avoids double counting when adding appropriation amounts across budget areas |
| Federal Revenue | 10,471,200 | 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 | 130,700 | Revenue from individuals and private entities, including payments for services, grants, and other contributions |
| State Restricted Revenue | 35,054,900 | State revenue restricted by the State Constitution, state statute, or outside restriction that is available only for specified purposes; includes most fee revenue |
| State General Fund/General Purpose (GF/GP) Revenue | \$49,926,900 | Unrestricted revenue from taxes and other sources available to fund basic state programs and other purposes determined by the Legislature |

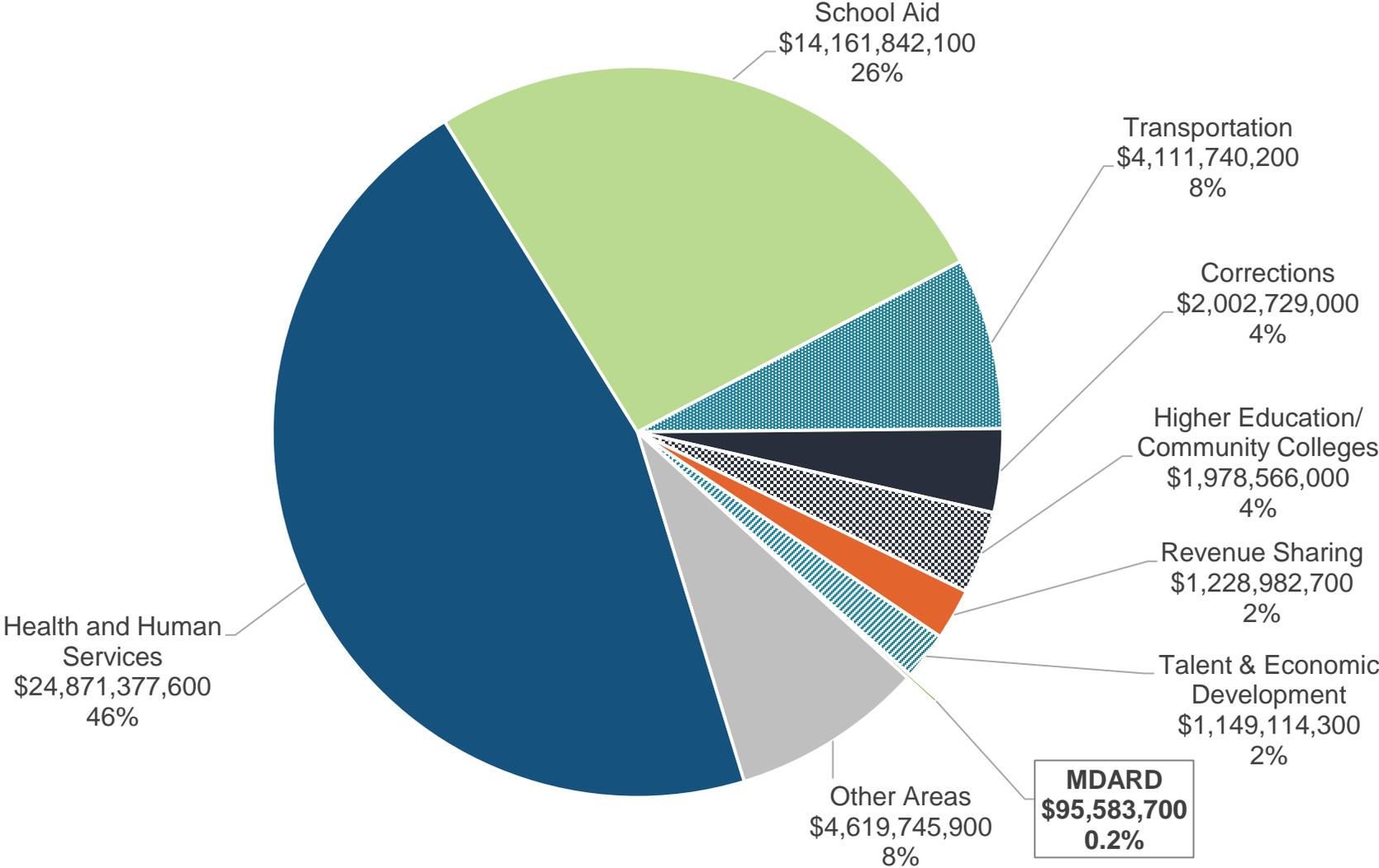
FY 2016-17 Fund Sources

Roughly half of the **\$95.9 million** MDARD budget comes from state GF/GP appropriations, with approximately one-third from state restricted sources. Federal aid represents 11% of the MDARD budget.



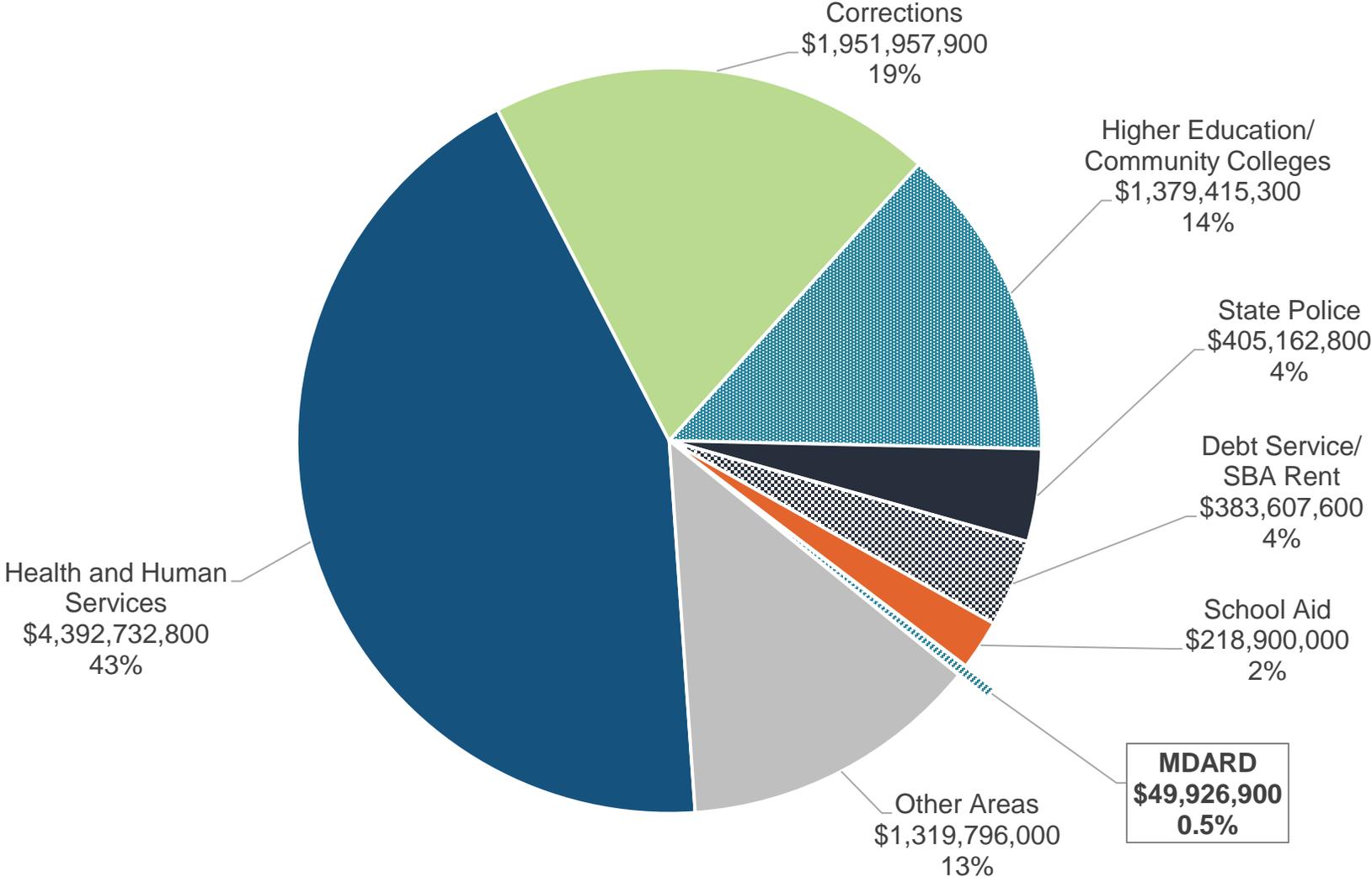
MDARD Share of Total State Budget

The MDARD budget represents less than one percent of the **\$54.2 billion** state budget (adjusted gross) for FY 2016-17.



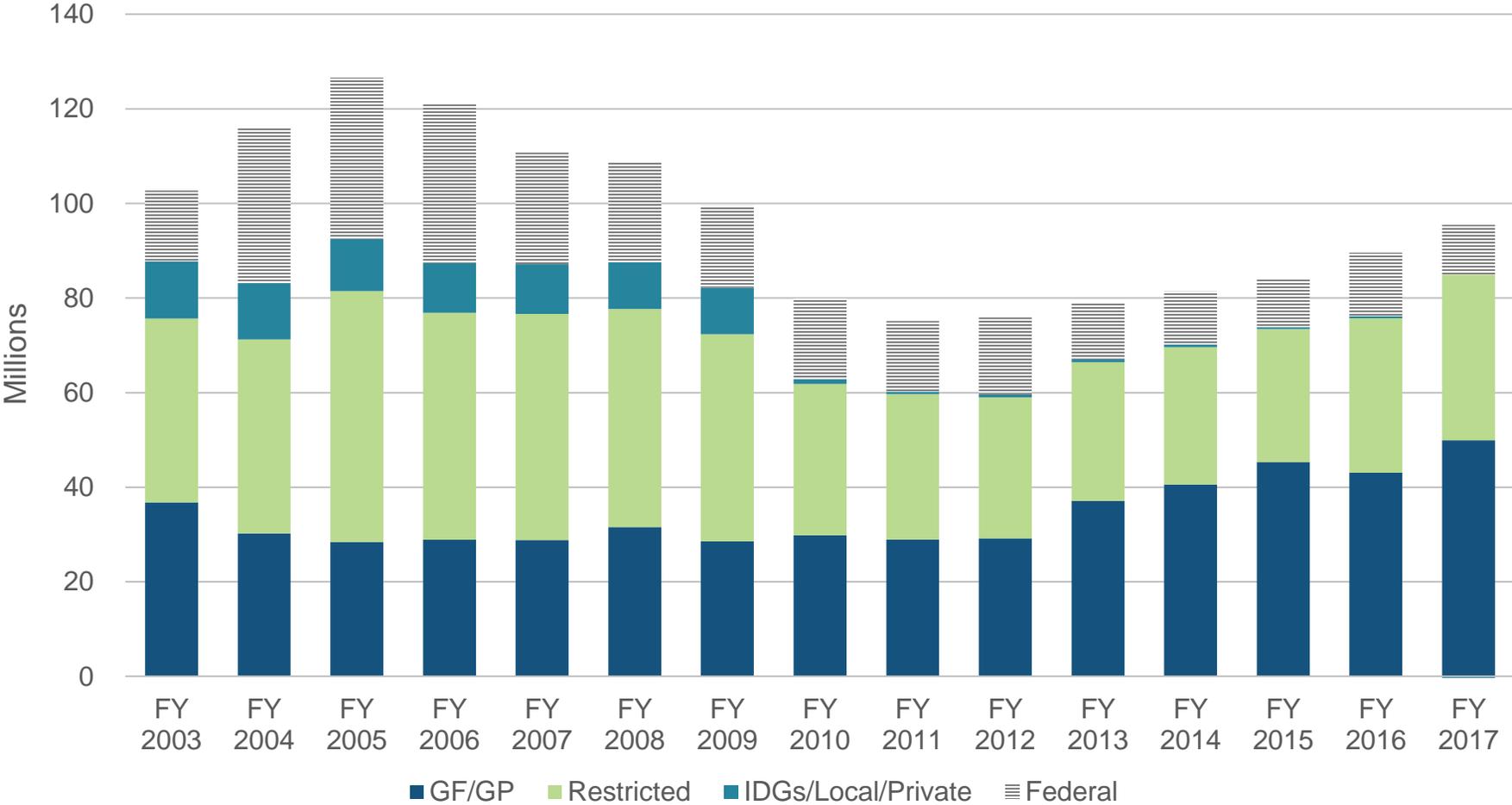
MDARD Share of Total GF/GP Budget

The MDARD budget also represents less than 1% of the state's **\$10.1 billion** GF/GP budget for FY 2016-17.



MDARD Funding History

After a number of years being relatively flat, GF/GP support began to increase in FY 2012-13 and reached **\$49.9 million** in FY 2016-17– a \$20.7 million increase (71%) from FY 2011-12.



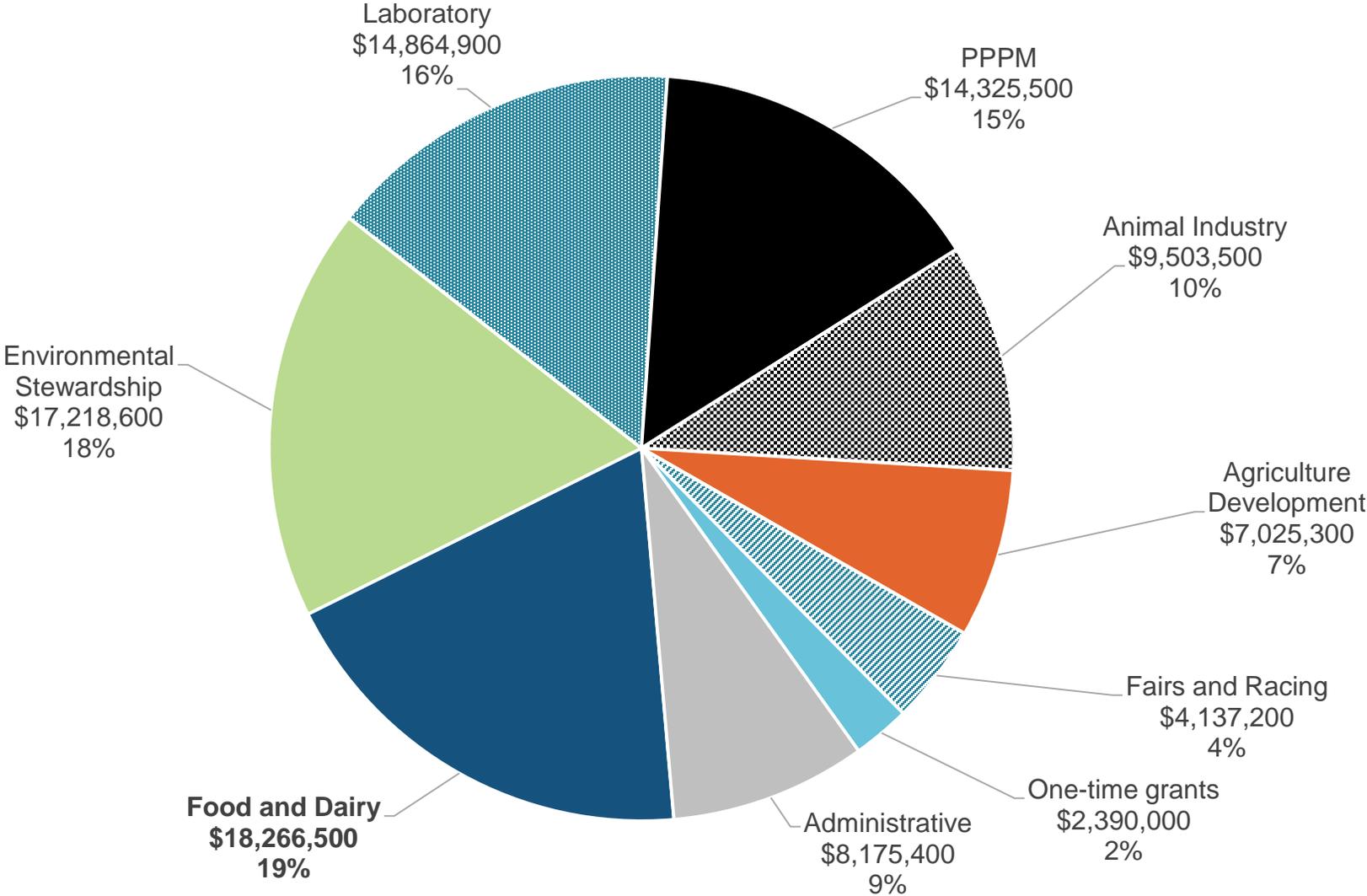
Appropriation Areas

MDARD Appropriation Areas

- **The MDARD budget is appropriated for the following major program areas:**
 - Administration
 - Food and Dairy Quality Assurance
 - Animal Industry
 - Pesticide and Plant Pest Management
 - Environmental Stewardship
 - Laboratory
 - Agriculture Development
 - Support for County Fairs/Horse Racing

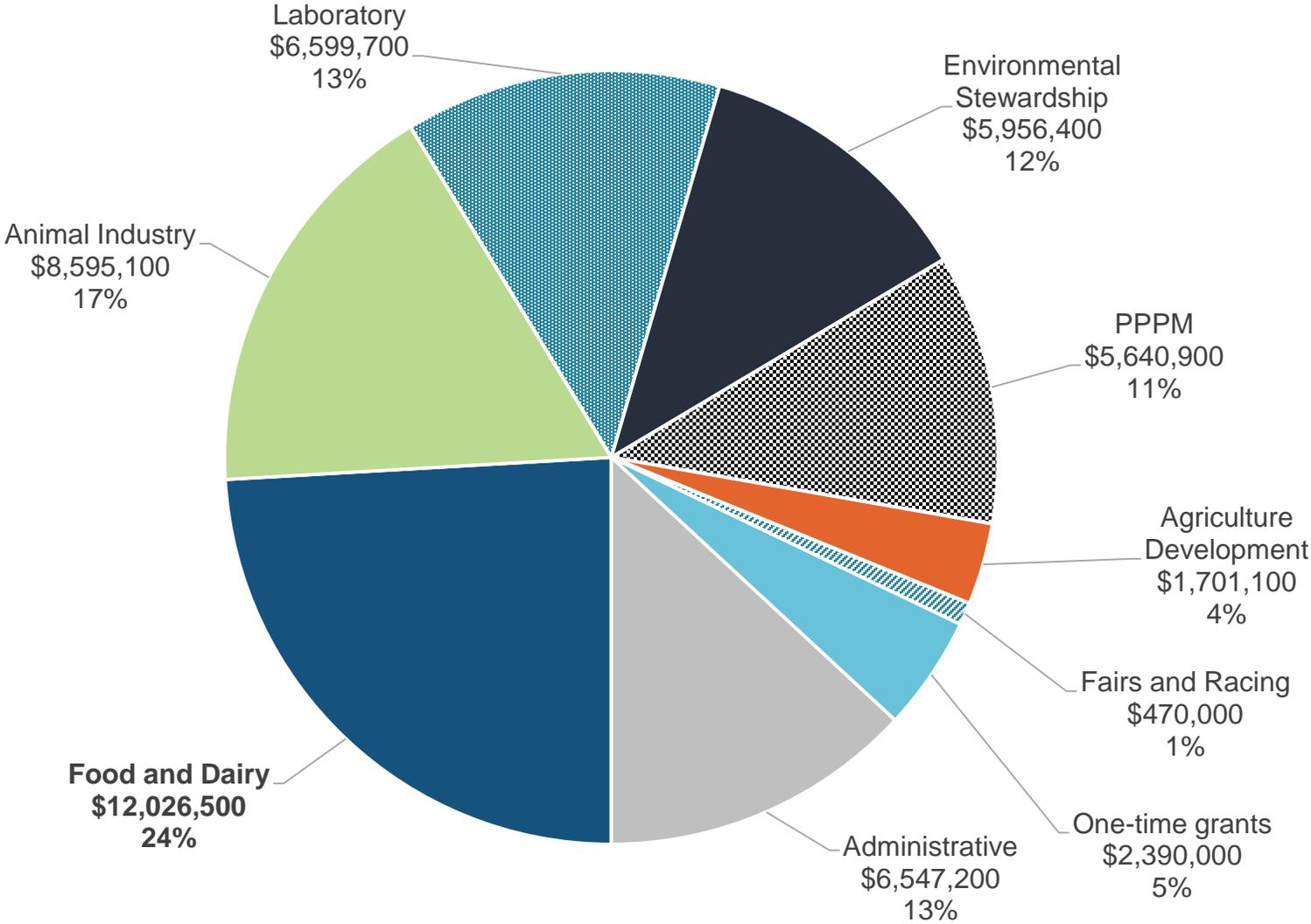
FY 2016-17 Gross Appropriations

Food and Dairy is the largest program and represents 19% of the \$95.9 million MDARD budget.



FY 2016-17 GF/GP Appropriations

Food and Dairy also makes up almost a quarter of the \$49.9 million GF/GP in the MDARD budget.



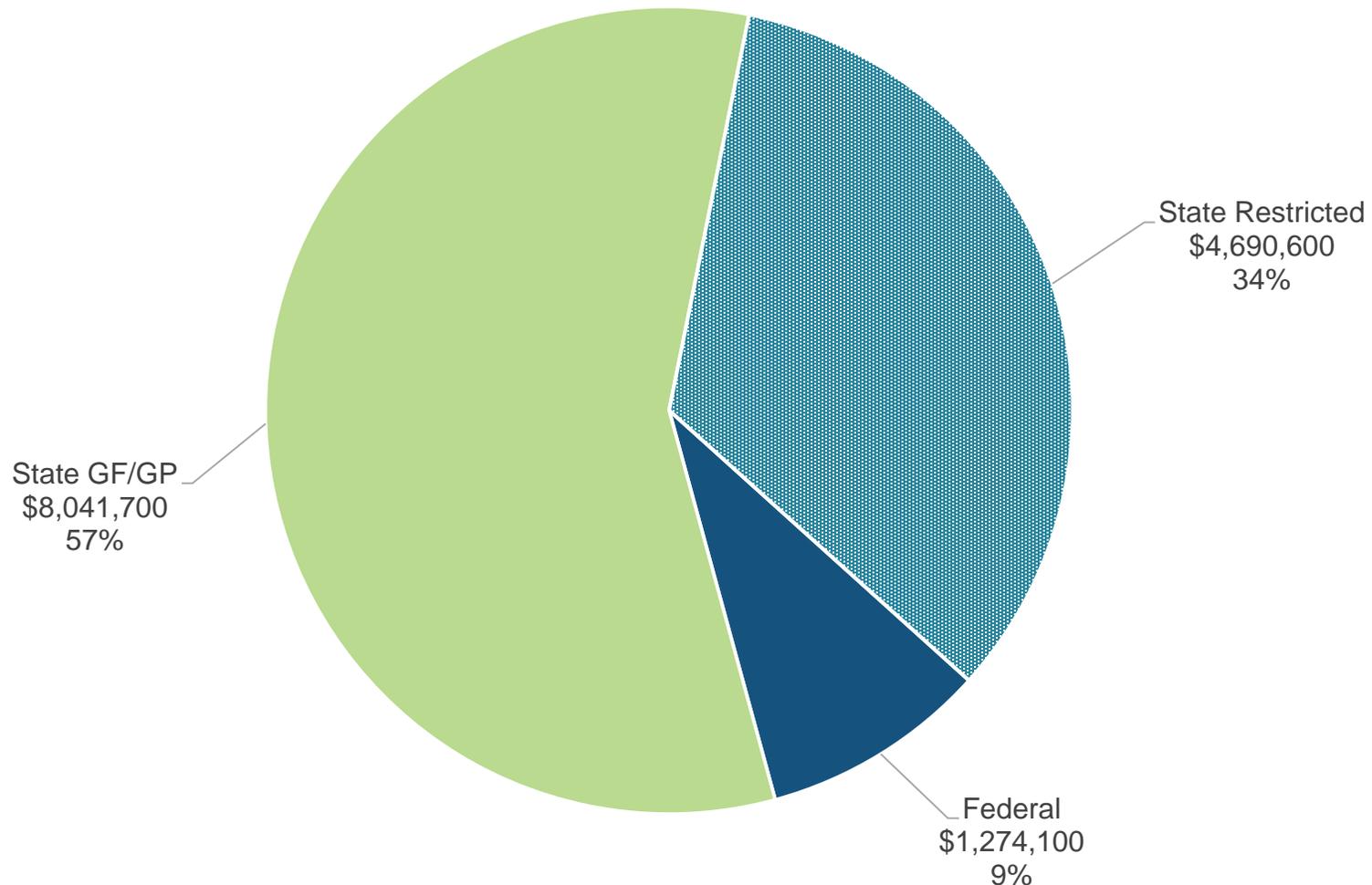
Major Budget Topics

Food and Dairy/Food Safety 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. This **Food Safety 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 **19,000 food establishments**, including food processing plants, distribution centers, and retail grocery and convenience stores
 - Oversees **local public health** agency restaurant/food safety inspection programs under provisions of the **Public Health Code**.

Food and Dairy/Food Safety Quality Assurance

Of the **\$18.3 million** Food and Dairy appropriation, **\$14.0 million** are for the Food Safety and Quality Assurance program - a largely GF/GP funded program. Restricted funds for this program come from food establishment licensing/regulatory fees established under the Food Law of 2000.

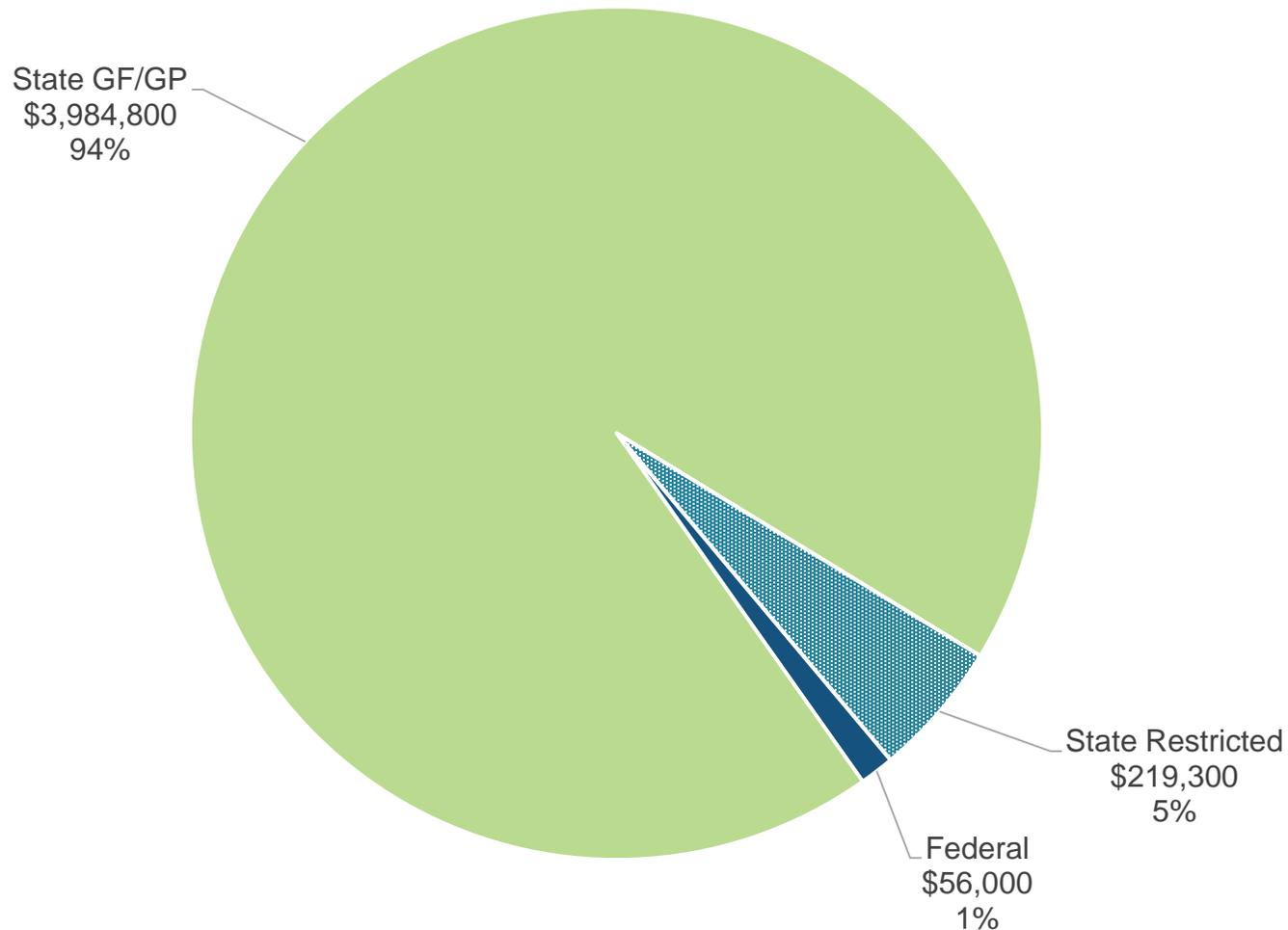


Food and Dairy/Milk Safety Quality Assurance

- 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 Quality Assurance** program:
 - Licenses and inspects dairy industry producers, processors, and distributors, including 2,170 Grade A dairy farms, 84 dairy processing plants, 700 milk trucks, and 1,000 milk haulers.

Food and Dairy/Milk Safety Quality Assurance

Of the **\$18.3 million** Food and Dairy appropriation, **\$4.3 million** are appropriated for the **Milk Safety and Quality Assurance** program - a largely GF/GP funded program. State restricted funds for this program come from dairy industry licensing/regulatory fees established under the Grade A Milk Law and the Manufacturing Milk Law.

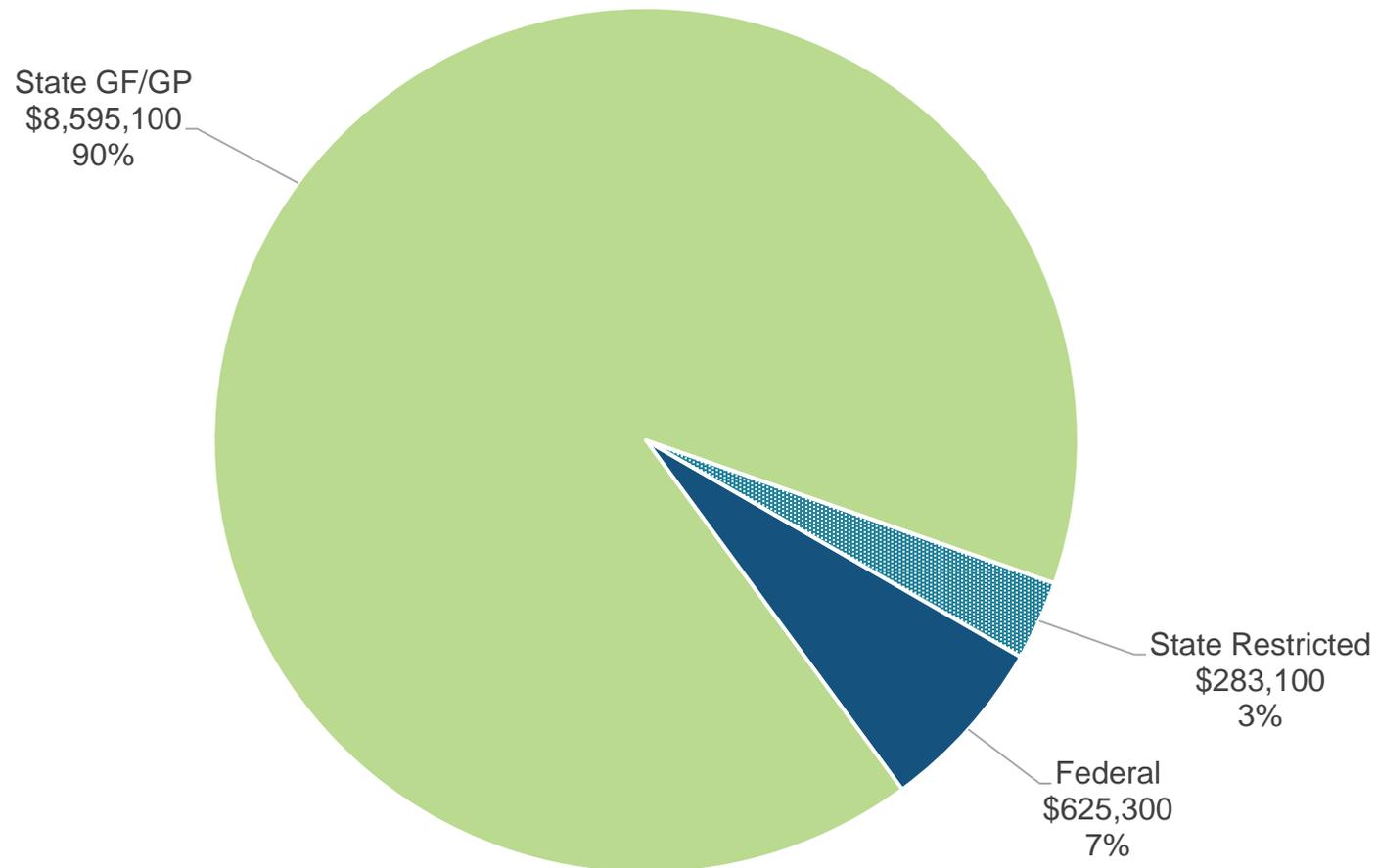


Animal Industry

- 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.

Animal Industry

The **Animal Industry** appropriation of **\$9.5 million** is funded primarily from state GF/GP revenue. Approximately half of Animal Industry Division activity is related to Bovine TB containment program.



Animal Industry – Bovine TB Program

- **Bovine TB** is a contagious bacterial disease primarily of cattle. The disease attacks the respiratory system; it 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.
- 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.

Animal Industry – Bovine TB Program

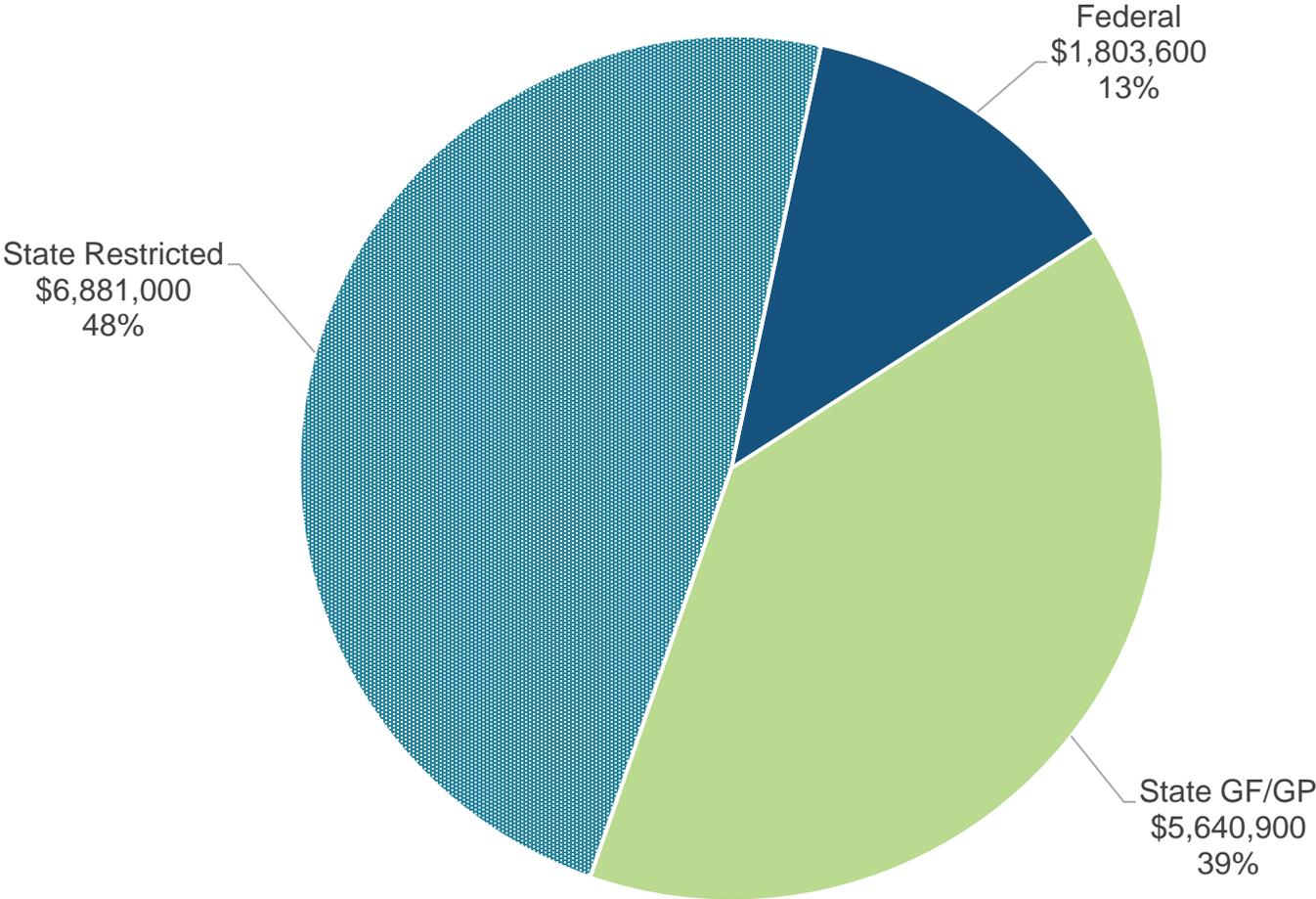
- In April 2004, the USDA granted Michigan *Split State Status* – a large part of the Northern Lower Peninsula remained in the *Modified Accredited Zone*; other parts of the state were designated as lower risk.
- In 2005, the entire Upper Peninsula was designated as *Bovine TB Free* after surveillance 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. As of January 2017, only four counties (Alcona, Alpena, Montmorency, and Oscoda) were still *Modified Accredited*.
- Michigan's Bovine TB containment expenditures from FY 1994-95 through FY 2014-15 totaled \$145.4 million. MDARD's share of those expenditures totaled \$105.6 million (\$79.3 million GF/GP). These costs are primarily related to herd testing.
- In December 2016, a dairy cattle herd in Alcona County was designated as affected based on testing. The department indicates that this was the 68th TB-positive cattle herd in Michigan since 1998.

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
 - Inspection of animal feed
 - Exotic and Invasive Pest Detection and Response
 - Fruit and vegetable inspection services
 - Grain Dealer/Producer Security

Pesticide and Plant Pest Management

Appropriation for PPPM programs total **\$14.3 million**. State restricted revenue, primarily from pesticide and fertilizer regulatory fees, provide the largest share of the PPPM funding.



Environmental Stewardship

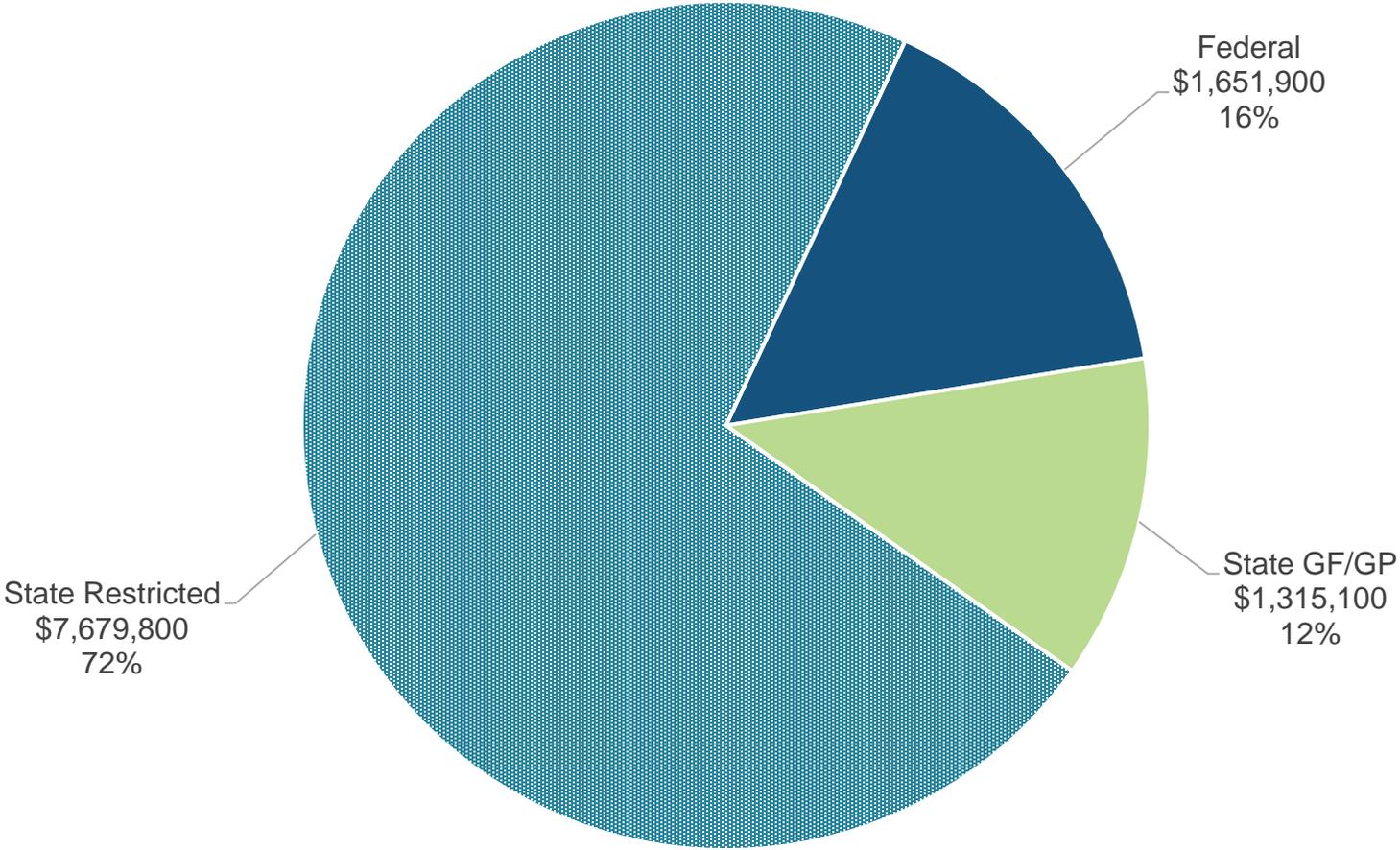
- MDARD's **Environmental Stewardship Division** programs work to:
 - Prevent agriculture-related pollution
 - Preserve farmland
 - Promote environmentally sound farming practices
 - Enhance groundwater protection
- Specific **Environmental Stewardship Division** programs include:
 - Right-to-Farm Act
 - Farmland and Open Space Preservation Programs
 - Intercounty Drain Program
 - Migrant Labor Housing Program
 - Michigan Agriculture Environmental Assurance Program (**MAEAP**)

Environmental Stewardship – MAEAP

- **MAEAP is Environmental Stewardship Division largest 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, and through federal grant funding.
 - Public Act 118 of 2015 amended Part 87 of NREPA to make a number of changes to MAEAP. PA 118 also provided additional MAEAP Freshwater protection fund revenue through increases in pesticide and fertilizer water quality protection fees.
 - Many MAEAP activities are carried out through Local conservation districts under contract with MDARD.

Environmental Stewardship – MAEAP

MAEAP is the largest program within Environmental stewardship totaling **\$10.6 million**. Over 70% of MAEAP funding, \$7.7 million, comes from the state restricted **Freshwater protection fund**. Fund revenue is derived from water quality protection fees assessed on pesticide and fertilizer sales.

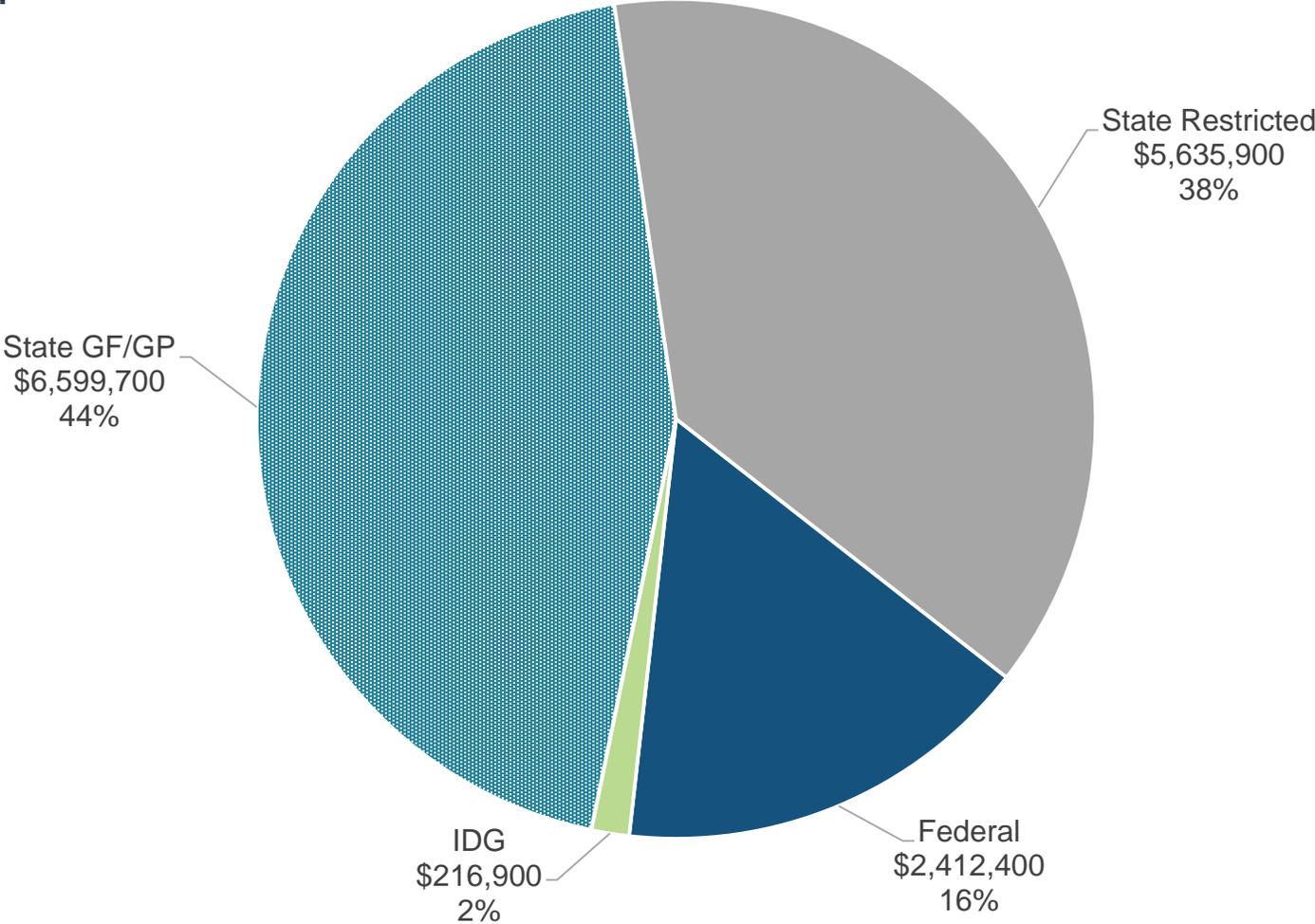


Laboratory Program

- MDARD's **Laboratory Division** operates two laboratories, the Geagley Laboratory in East Lansing and the E. C. Heffron Metrology Laboratory in Williamston
 - These laboratories provides 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 Programs

State restricted revenue for Laboratory Programs comes from a number of licensing and regulatory fee funds, from testing service fees, and from the Refined Petroleum Fund (\$2.4 million) used in the Consumer protection/motor fuel quality program. **Federal funds** come primarily from the USDA pesticide data program contract.



Agriculture Development

- MDARD's **Office of Agriculture Development** supports programs related to marketing and promoting Michigan food and agricultural products. Agriculture Development programs include:
 - The Value-added grant program (\$500,000 plus \$1.0 million in one-time). This is a competitive grant program which seeks to promote and enhance Michigan's food and agriculture industries.
 - Rural development grant program (\$2.0 million from non-ferrous mining tax)
 - Grape and Wine Industry Council – administrative support and grants for research on making and marketing of Michigan wine (\$921,000 plus \$170,000 in one-time funding).
 - Administration of the federal specialty crop grant program established under the Farm Bill of 2014.

The Office of Agriculture Development also oversees 15 legislatively authorized commodity organizations.

Fairs and Horse Racing

- The MDARD budget includes \$470,000 in GF/GP funding for capital improvement grants for **County Fairs and Expositions**.
- The MDARD budget also provides \$3.4 million from the state restricted Agriculture Equine Industry Development Fund for various **horse racing** awards and purse supplements distributed in accordance with the Horse Racing Law of 1995.
- 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 retained responsibility for administration of horse racing awards and prizes awarded at pari-mutuel race tracks and county fairs. MDARD currently contracts with a private vendor for the administration of the horse racing award program.

One-Time Basis Appropriations

- The FY 2016-17 MDARD budget includes five **one-time GF/GP** funded items totaling \$2.4 million. This represents 2.4% of the total MDARD budget, 4.8% of GF/GP appropriations.
 - \$1.0 million for Value-Added grant program (In addition to \$500,000 in ongoing funding within Agriculture development)
 - \$500,000 for Tree Fruit Research
 - \$500,000 for Animal agriculture initiative (in addition to \$399,000 in ongoing funding within Animal Industry.)
 - \$170,000 for the Grape and wine industry council (In addition to ongoing funding within Agriculture development)
 - \$220,000 for a Vital agriculture infrastructure grant.

For more information about the MDARD budget:

HFA Resources

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

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