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
  - Rural development and growth of agriculture industry

Key Budget Terms

Fiscal Year: The state's fiscal year (FY) runs from October to September. FY 2024-25 is October 1, 2024 through September 30, 2025.

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 <u>not</u> been adjusted for inflation.

Funding Sources

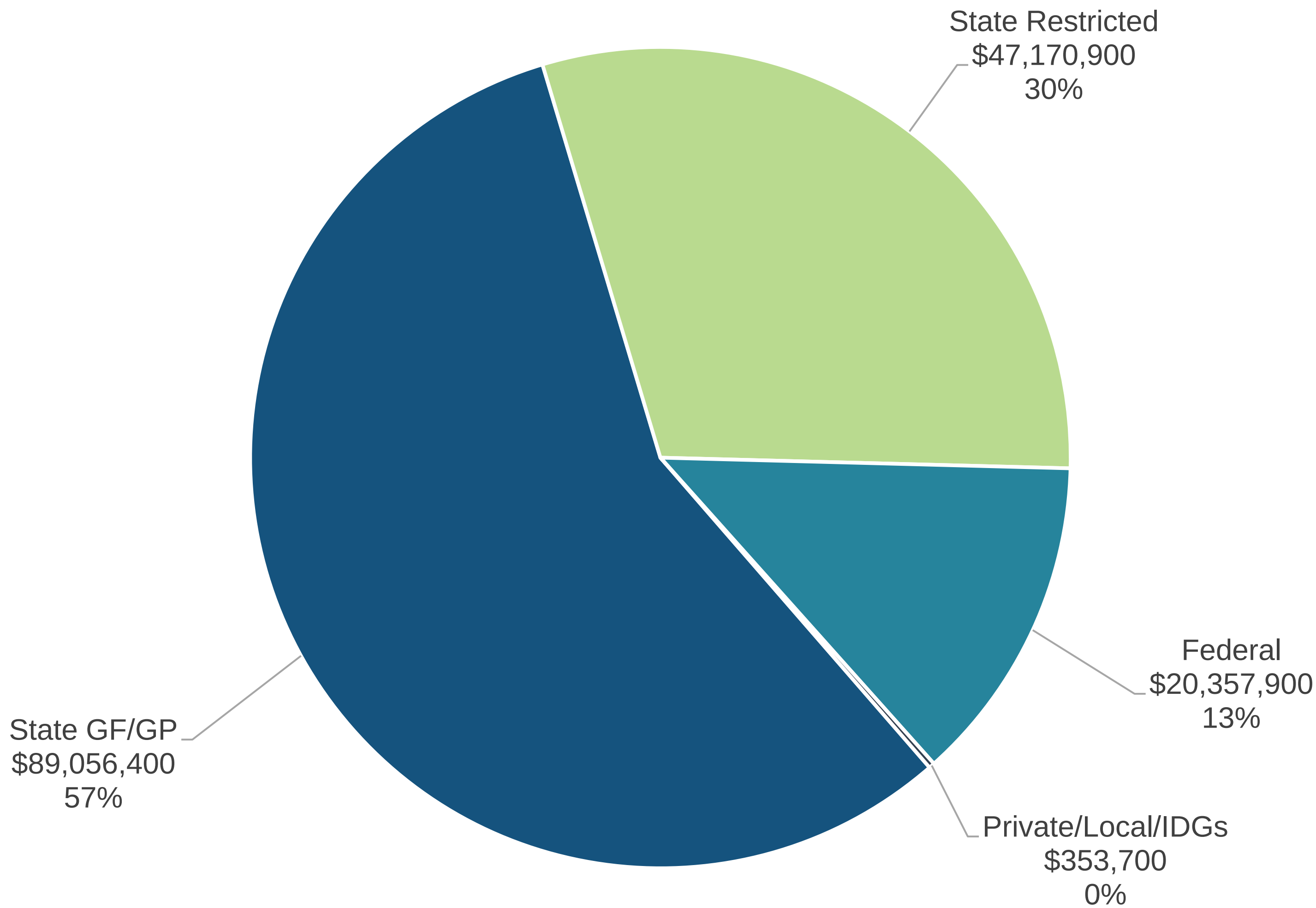
FY 2024-25 MDARD Budget

Fund Source	Funding	Description
Gross Appropriations	$156,938,900	Total spending authority from all revenue sources
Interdepartmental Grants (IDG) Revenue	332,400	Funds received by one state department from another state department, usually for services provided
Adjusted Gross Appropriations	$156,606,500	Gross appropriations excluding IDGs; avoids double counting when adding appropriation amounts across budget areas
Federal Revenue	20,357,900	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	47,170,900	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	$89,056,400	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, 2024 PA 121.

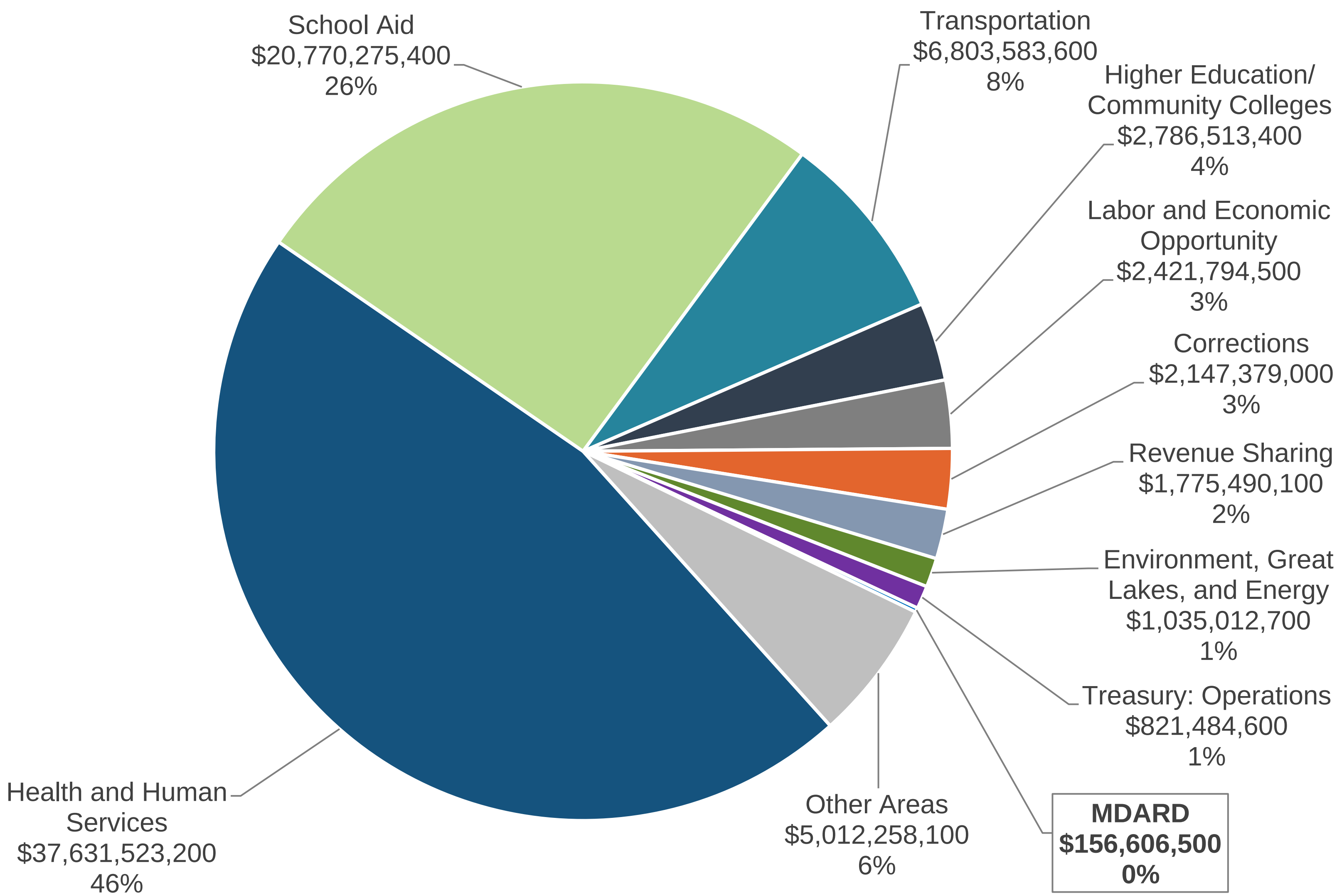
FY 2024-25 Fund Sources

State GF/GP of **$89.1 million** is the largest revenue source in the **$156.9 million** MDARD budget - equal to 57% of the budget. $9.0 million of the GF/GP funding is identified as one-time.



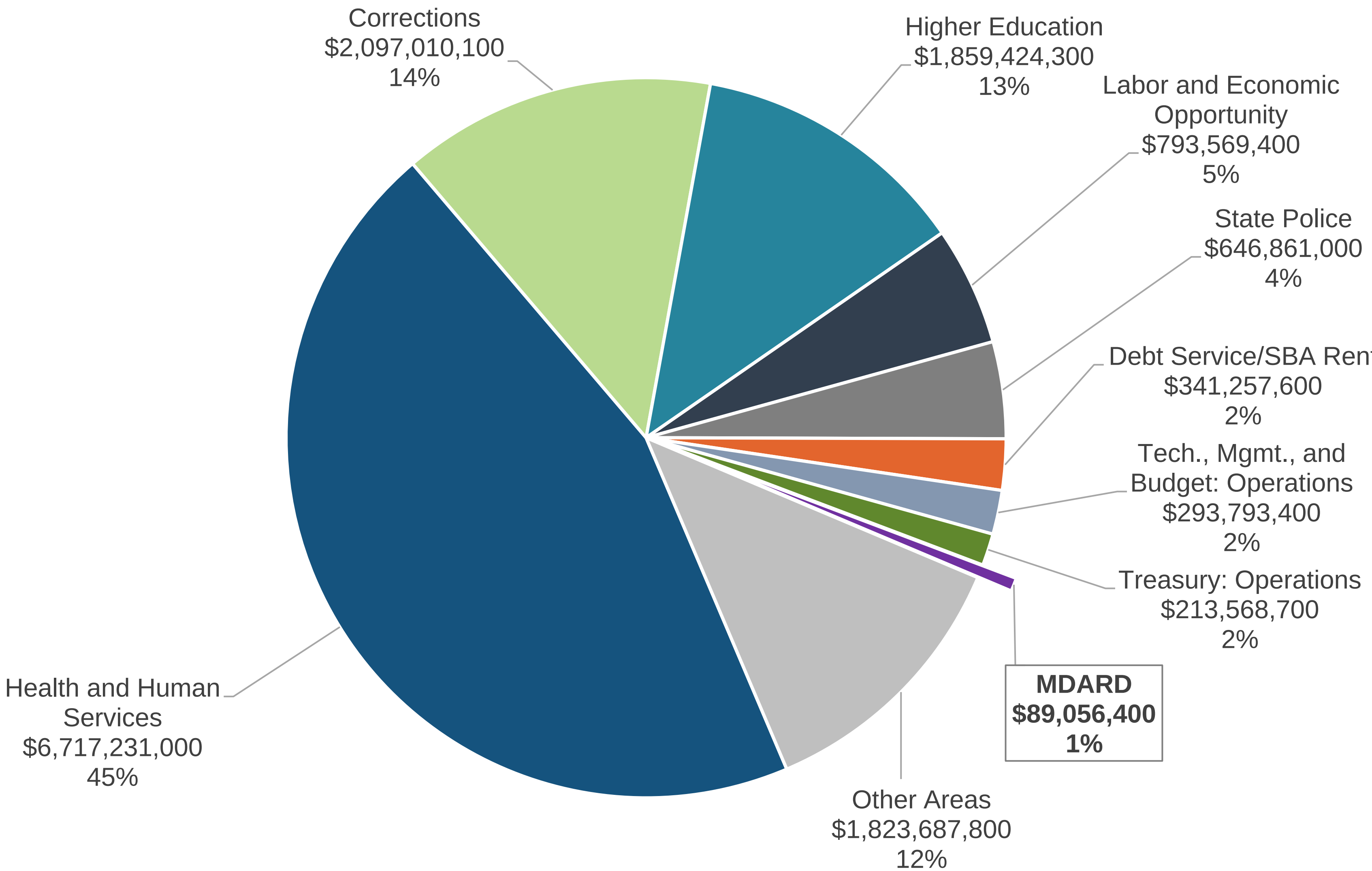
MDARD Share of Total State Budget

The MDARD budget represents less than **1%** percent of the **$81.4 billion** state budget (adjusted gross) for FY 2024-25.



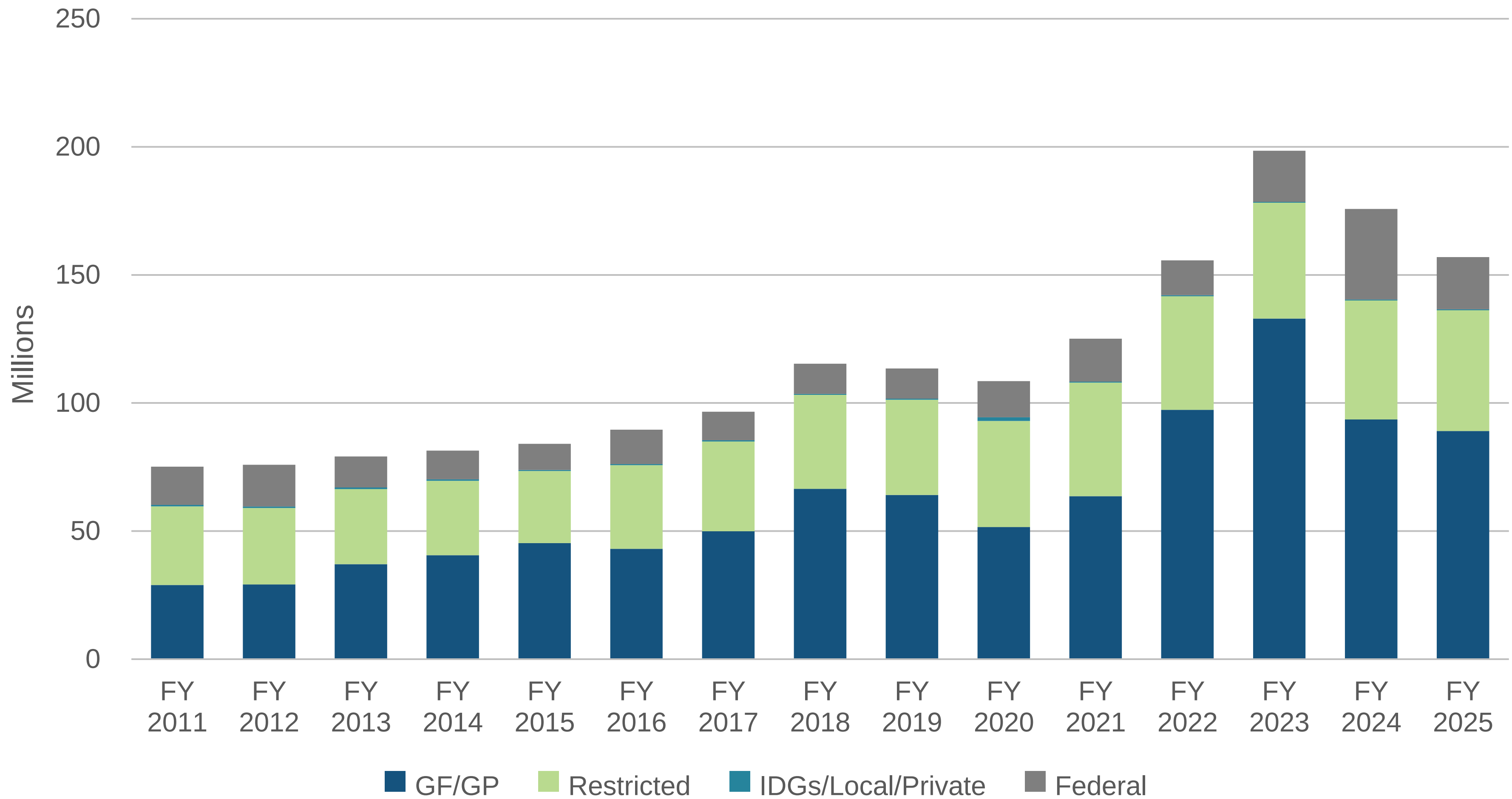
MDARD Share of Total GF/GP Budget

The MDARD budget represents less than **1%** of the state's **$14.9 billion** GF/GP budget for FY 2024-25.



MDARD Funding History

After falling to **$29.2 million** in FY 2011-12, GF/GP increased to **$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 2024-25 includes **$89.1 million** GF/GP, of which $9.0 million is identified as one-time.



Appropriation Areas

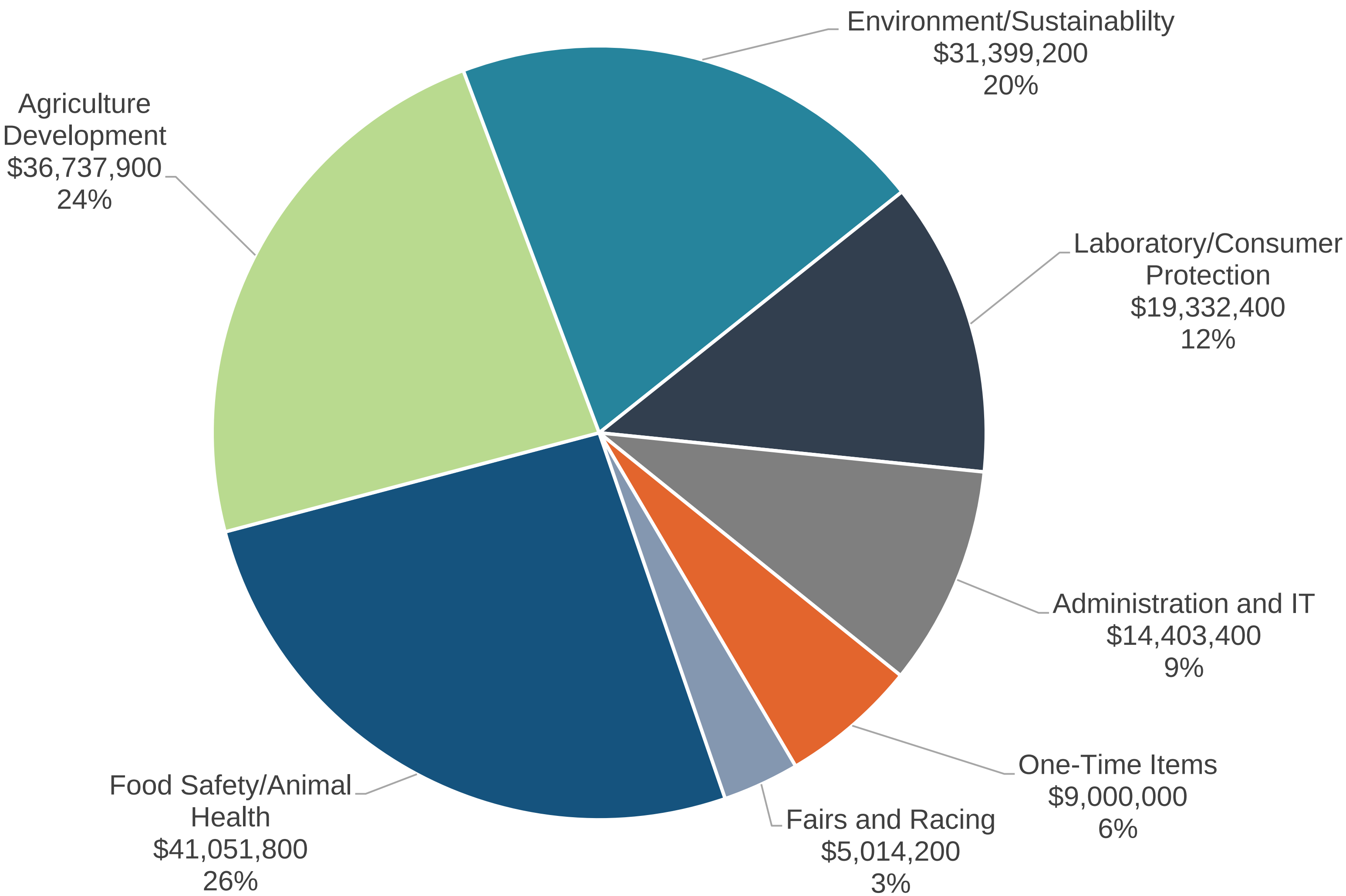
MDARD Appropriation Areas

- The MDARD budget includes four ongoing appropriations units reflecting the department's four-bureau organizational structure:
  - Food Safety and Animal Health
  - Environment and Sustainability
  - Agriculture Development
  - Laboratory/Consumer Protection

  - The budget also includes appropriation units and line items that support administrative and information technology functions, county fair/horse racing grant programs, and one-time funding items.

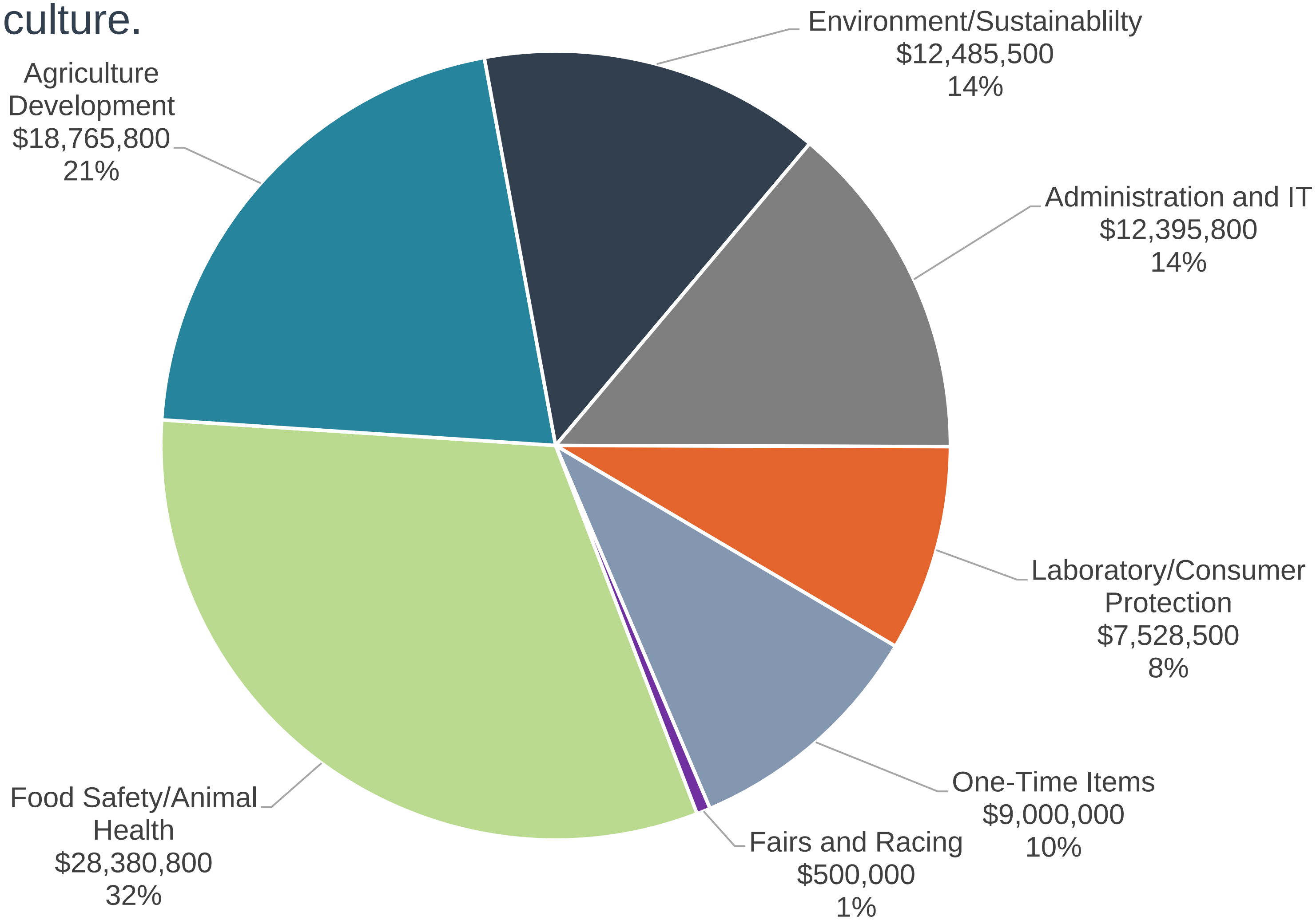
FY 2024-25 Gross Appropriations

Gross Appropriations of **$156.9 million** are broken out by appropriation, unit below. Four reflect MDARD's four bureau structure: Food Safety/Animal Health, Agriculture Development, Environment/Sustainability, Laboratory/Consumer Protection.



FY 2024-25 GF/GP Appropriations

GF/GP funding of **$89.1 million** is broken out by major program below.
Administration and IT includes: **$2.5 million** GF/GP for **emergency management** program; **$2.1 million** to identify, respond to, and mitigate **emerging contaminants** affecting agriculture.



Major Budget Topics

Food and Dairy

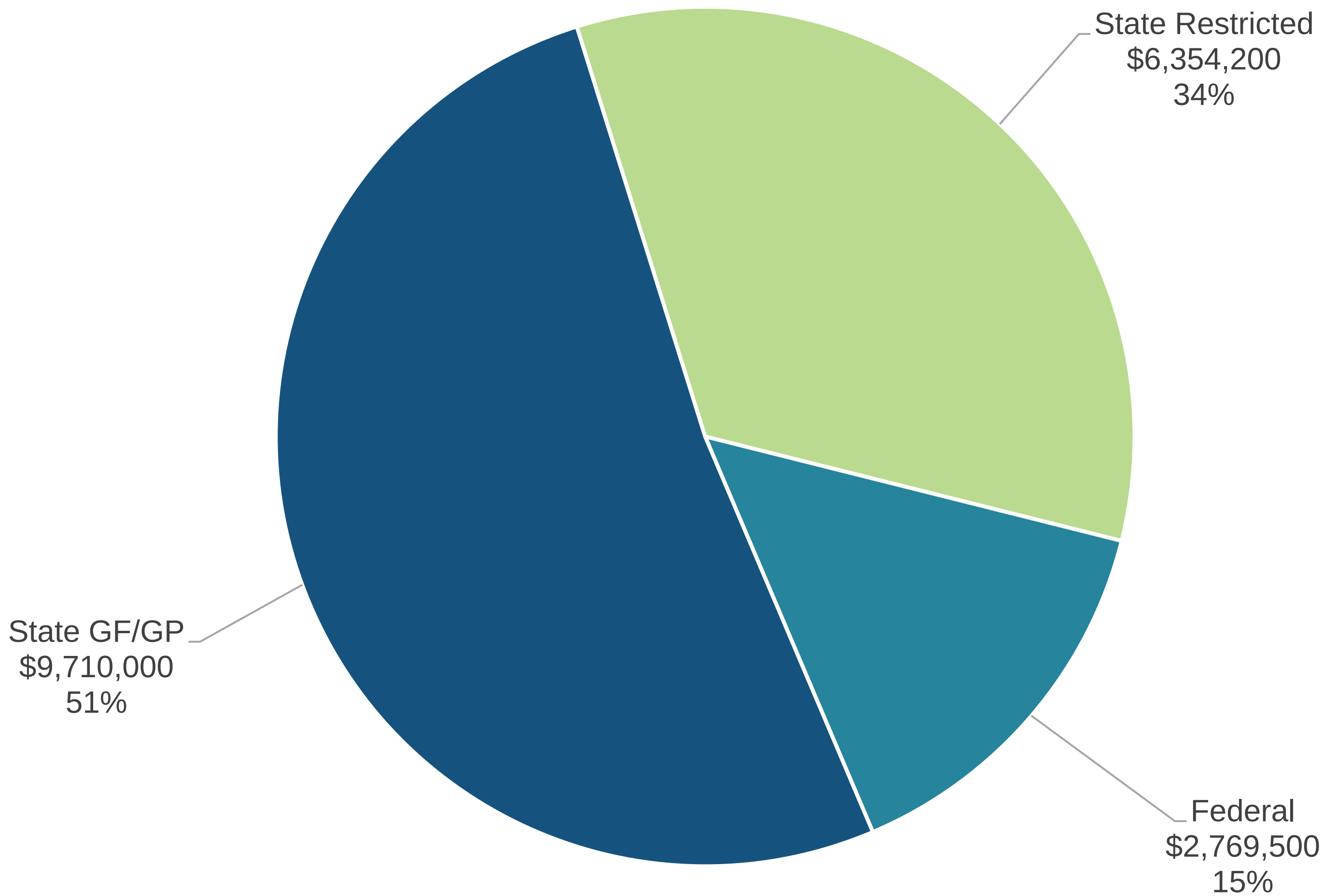
- **Bureau of Food Safety and Animal Health** incudes funding for two major ongoing food safety programs:
  - **Food Safety and Quality Assurance**
  - **Milk Safety and Quality Assurance**
  - Appropriations for these two programs total **$24.8 million Gross ($15.3 million GF/GP)**
- These two programs are described in detail below.

Food Safety and Quality Assurance

- MDARD 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 approximately 18,000 food establishments, including food processing plants, distribution centers, and retail grocery and convenience stores
  - Oversees delegated program of restaurant/food service establishment safety inspection performed by local public health agencies.

Food and Dairy
Food Safety and Quality Assurance

Food Safety and Quality Assurance appropriations total **$18.8 million Gross ($9.7 million GF/GP).** Restricted funds come primarily from licensing fees established under the Food Law of 2000.

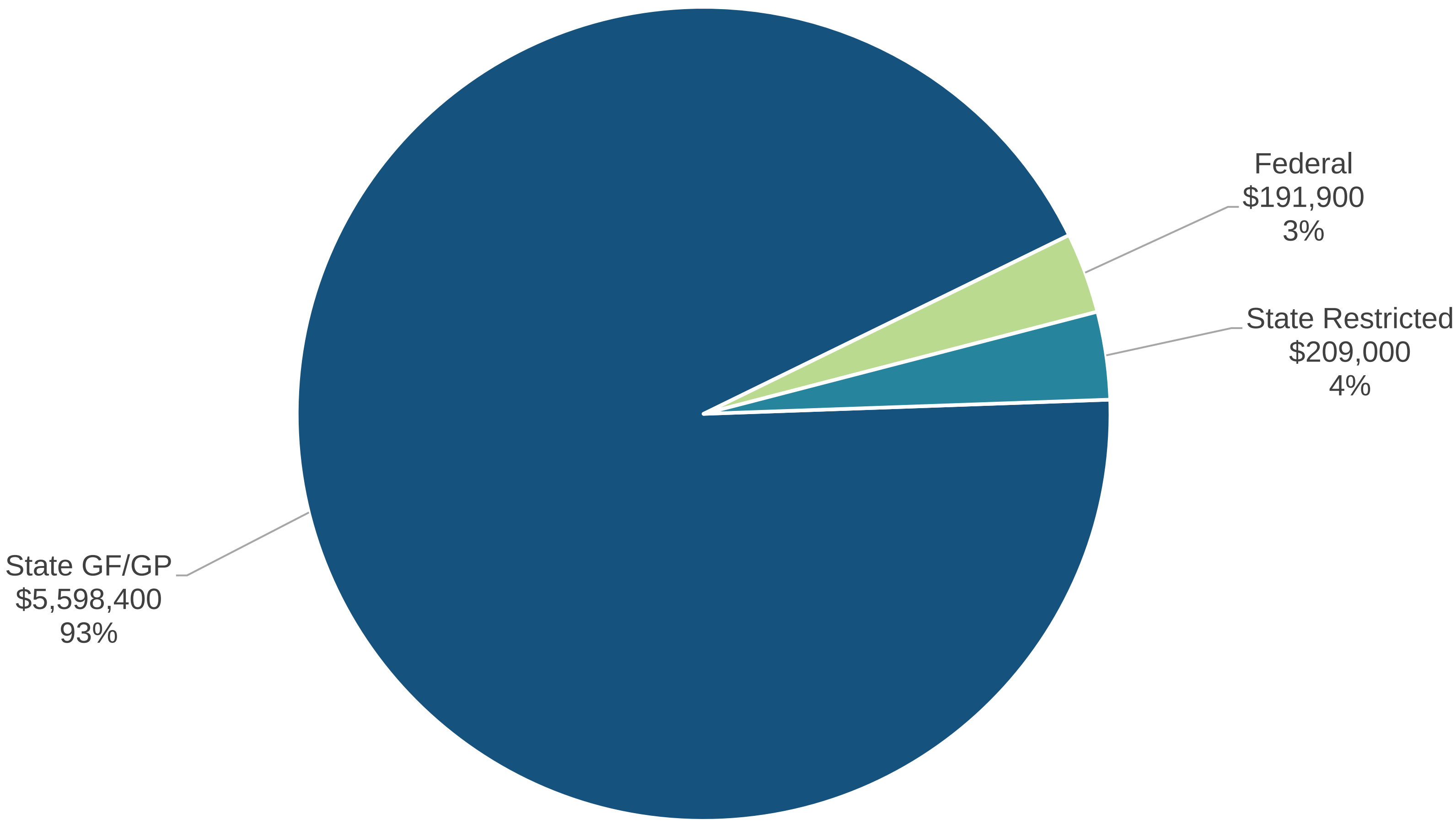


Milk Safety and Quality Assurance

- MDARD 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, processers, and distributors, including 993 permitted dairy farms, 91 dairy processing plants, 912 milk trucks, and 717 milk haulers/samplers.
    - This program helps 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 program funding totals just under **$6.0 million Gross of which $5.6 million, or 93% comes from GF/GP.** Program is authorized and guided by the Grade A Milk Law and the Manufacturing Milk Law.

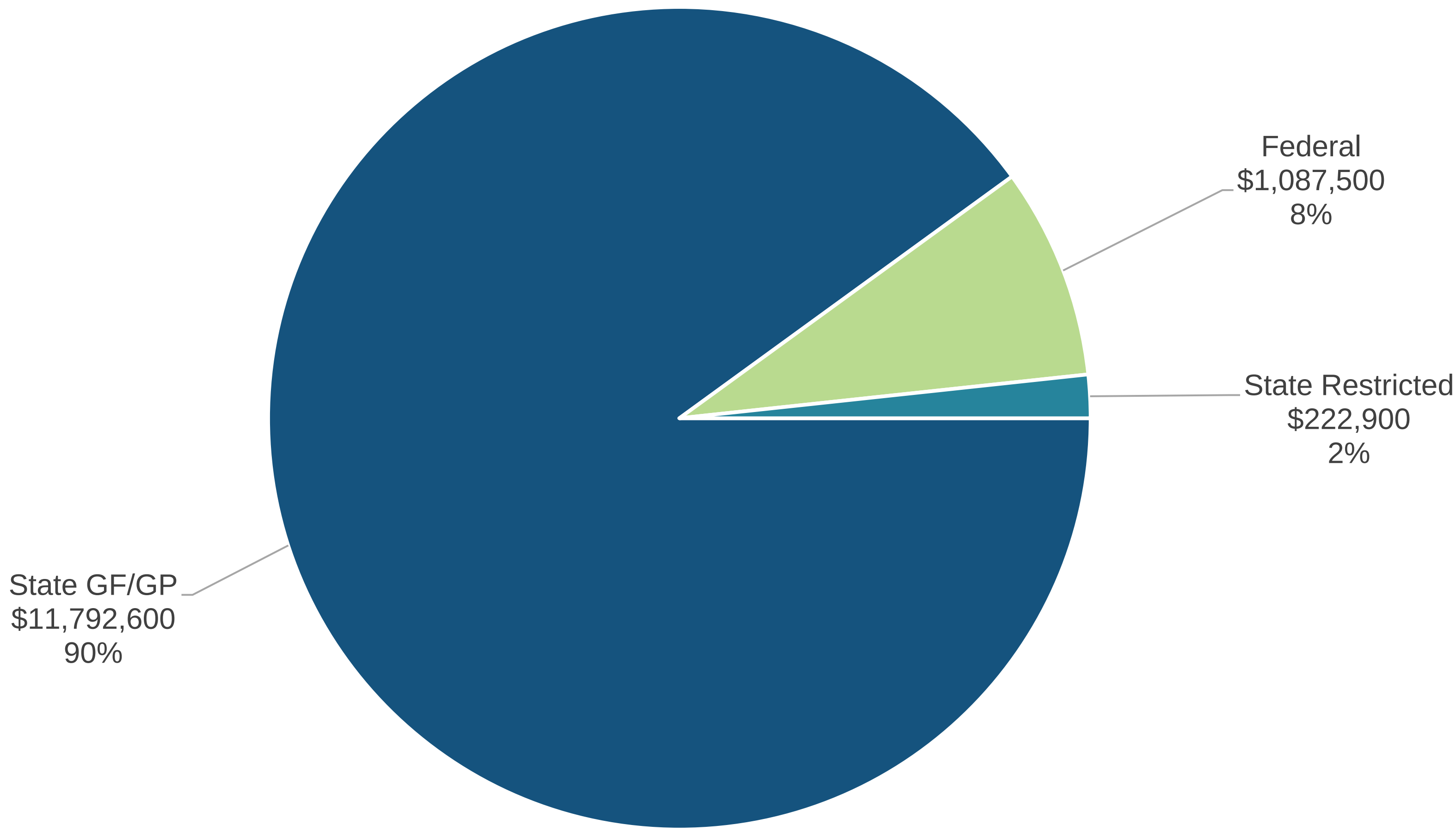


Animal Industry

- **Bureau of Food Safety and Animal Health** includes funding for the Animal Industry Division, **Animal Disease, Prevention, and Response Program**
  - Programs protects 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.
  - A current area of concern is highly pathogenic avian influenza (HPAI) – a disease of birds with potential serious impact on domestic poultry industry.

Animal Disease Prevention and Response

Appropriations for Animal Disease, Prevention, and Response programs total **$13.1 million ($11.8 million GF/GP)**. This total includes $2.0 million in one-time GF/GP.



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 February 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. Bovine TB continues to be observed in free ranging white-tailed deer in Michigan.
- 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 thorough FY 2023-24 total **$205.8 million**. MDARD’s share of those expenditures totals **$150.9 million**.
- MDARD program expenditures totaled **$5.1 million** in FY 2023-24.
- MDARD’s Bovine TB containment program is supported primarily by state GF/GP appropriations.
- Costs are primarily related to herd testing.

Environment and Sustainability

- Appropriations for MDARD's Bureau of Environment and Sustainability total **$36.5 million gross ($17.6 million GF/GP)** – including $5.1 million shown as one-time.
- Funding supports two ongoing divisions/programs:
  - Conservation Stewardship Division (funded primarily in Environmental Stewardship/MAEAP in the budget).
  - Pesticide and Plant Pest Management (PPPM) Division.
- The appropriation unit also supports targeted and grant programs:
  - Agricultural Climate Resiliency
  - Soil Health/Regenerative Agriculture
  - Right to Farm
  - Local Conservation Districts

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.

Agriculture Climate Resiliency
Soil Health/Regenerative Agriculture

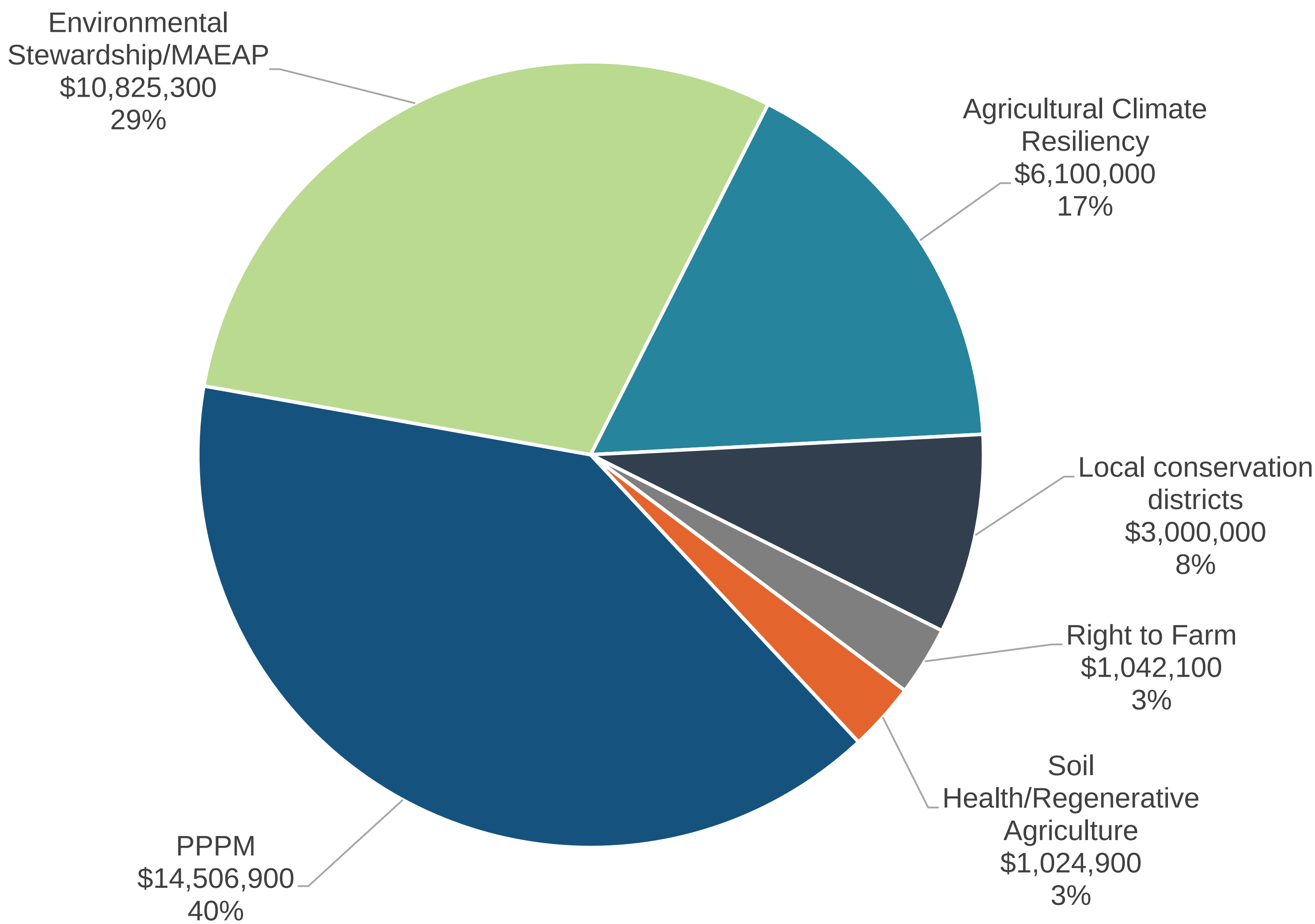
- The MDARD budget includes a total of $7.1 million GF/GP for two related program line items (new in FY 2023-24):

- **Agricultural climate resiliency program:** $6.1 million GF/GP ($5.1 million identified as one-time) 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. The entire $6.1 million appropriation is designated for Michigan State University as program partner.

- **Soil health/regenerative agriculture**: $1.0 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.

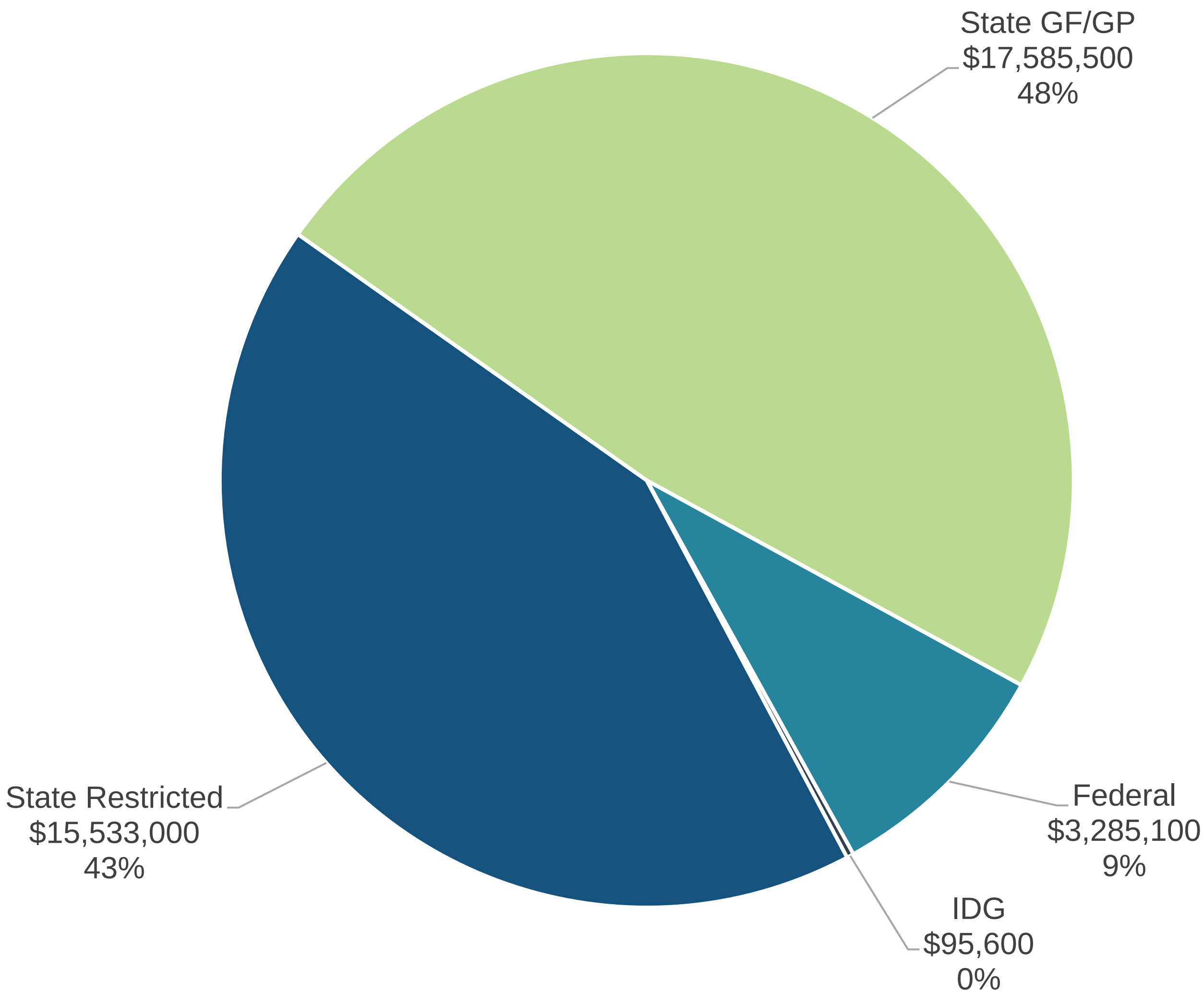
Environment/Sustainability

FY 2024-25 Environment/Sustainability appropriations total **$36.5 million (**including **$5.1 million** shown as one-time).



Environmental Stewardship – Funding

FY 2024-25 Environment/Sustainability funding appropriations of **$36.5 million** include **$17.6 million** in GF/GP (including $5.1 million GF/GP one-time).
State restricted includes $8.3 million from Freshwater Protection Fund for MAEAP.



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 FY 2021-22 appropriation, $18.2 million is carried forward into FY 2024-25 as a work project with ongoing reporting requirements.

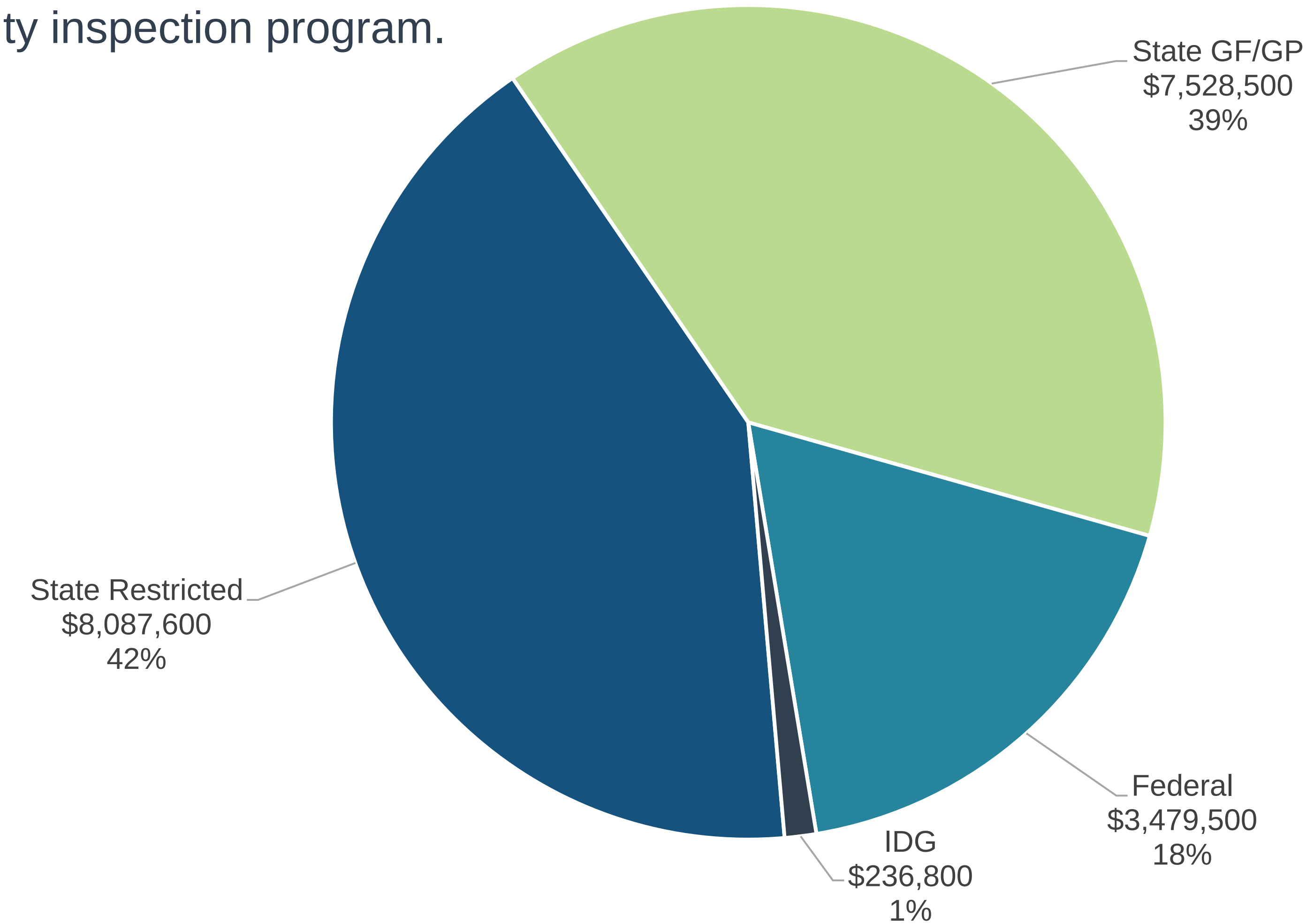
- The program focus is phosphorus reductions and water quality improvements through:
  - Implementation of priority practices
  - Technical support
  - Soil and water quality testing
  - Education outreach and training

Laboratory/Consumer Protection

- 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/Consumer Protection

Laboratory/Consumer Protection appropriations total **$19.3 million**. State restricted support comes from licensing and regulatory fee funds, including $3.5 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 **Agriculture Development Bureau funding totals $36.7 million ($18.8 million GF/GP).**

- In addition to ongoing staff and administrative functions, the appropriation includes funding for:

  - Food and Agriculture Investment grant program (**$2.5 million** GF/GP) to promote and enhance Michigan's food and agriculture industries.

  - Rural Development grants (**$2.0 million** from a non-ferrous mining tax).

  - Fair Food Network/Double Up Food Bucks (**$5.0 million GF/GP)**

  - Michigan Craft Beverage Council (**$1.3 million** restricted from certain non-retail liquor fees, used for administrative support and research grants).

  The Agriculture Development Division oversees the **$2.7 million** federal specialty crop grant program established under the Farm Bill of 2018.

Fairs and Horse Racing

- Includes **$4.5 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's only licensed standardbred racetrack, Northville Downs, closed in February 2024. Standardbred racing is 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 budget also includes $500,000 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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