

MEMORANDUM



DATE: November 25, 2019
TO: House Appropriations Subcommittee on Agriculture and Rural Development
FROM: William E. Hamilton
RE: MDARD Work Projects

On November 14, 2019, the State Budget Office transmitted to the House and Senate Appropriations Committees reports on work project designations.

As you know, appropriation bills authorize spending for a fiscal year period. Spending authority is granted within line items that generally represent statutory programs or agency operations. At the end of each fiscal year, unused spending authorization lapses. A new appropriation is required in order to expend money on specific programs and activities in the subsequent fiscal year.

Work projects are an exception to this one-year-only appropriation limit. Work project designation allows spending authority to be carried forward up to 48 months from the last day of the fiscal year in which the appropriation was originally made. Section 451a of the Management and Budget Act (1984 PA 431) establishes specific criteria for work project designation. The section indicates that a work project must meet all of the following criteria:

- Be for a specific purpose
- Contain a plan to accomplish the work project objective
- Have an estimated completion cost
- Have an estimated completion date

The definition of “work project” in Section 404(6) of the Management and Budget Act indicates that work projects are intended for one-time, non-recurring projects or activities for the purpose of accomplishing a [specific] objective. They are not to be used to simply carryover spending authority for ongoing department operations.

In some cases, work projects are designated in the appropriation act that established the original appropriation, specifically, in appropriations boilerplate. In State Budget Office work project reports, these are identified as *Work Projects Designated in Statute*. In other cases, state departments request that certain specific undertakings be designated as work project appropriations. These are listed in the State Budget Office reports as *Work Projects Not in Statute*. [The term “statute” is a bit off-target in this context; “statute” generally refers to compiled laws, and not appropriation acts. But the term has been established in the State Budget Office reports for a number of years.]

Examples of work projects include information technology projects. There are a number of these in the State Budget Office report since these are often one-time, single-purpose projects that carry over for two or more fiscal years.

There are actually two State Budget Office work project lists: a list of existing work project designations (from prior fiscal years) that will carry on beyond FY 2018-19; a list of new work project appropriations, i.e. work projects from FY 2018-19 appropriations, that would be designated as work projects for the first time.

The Management and Budget Act requires the State Budget Office to notify the House and Senate Appropriations Committees within 45 days of the end of the fiscal year of proposed work projects. Work project designation does not require legislative approval. State Budget Office work project recommendations automatically become effective unless affirmatively disapproved by either the House or Senate Appropriations Committees within 30 days of the State Budget Office notification.

Effectively, the authority of the House and Senate Appropriations Committees to disapprove proposed work projects is limited to work projects not established in statute, and work projects that had not been previously established as work projects. To put this another way, the authority of the House and Senate Appropriations Committees to disapprove proposed work projects is limited to first time (FY 2018-19) work project requests that were not established as work projects in appropriation acts.

The State Budget Office list includes five new MDARD work projects designations (from FY 2018-19 MDARD appropriations). Of these, two were established in statute; i.e. appropriation act boilerplate, and three are designated as work projects at the request of the department.

In addition to the five new work projects, the State Budget Office list identifies two prior-year MDARD work projects, both from FY 2017-18 appropriations, that will carry forward past September 30, 2019.

The MDARD designated work projects are shown in the attached table.

Please let me know if you have questions.

FY 2018-19 Work Projects

Appropriation/Issue	Fund Source	Original Appropriation Fiscal Year	Total Estimated Completion Cost	Estimated Completion Date	FY 2015 Carry-Forward Amount	FY 2016 Carry-Forward Amount	FY 2017 Carry-Forward Amount	FY 2018 Carry-Forward Amount	FY 2019 Carry-Forward Amount	Statutory Authorization	Description
AGRICULTURE AND RURAL DEVELOPMENT											
<u>New and Not Yet Authorized</u>											
Technical assistance (USA Herds)	GF/GP	2019	\$200,000	9/30/2021	N/A	N/A	N/A	N/A	\$200,000	N/A	One time enhancement to system for tracking livestock (USA Herds) to facilitate livestock movement permitting in MAZ. Funding provided from Animal disease prevention and response line item.
Dairy industry assistance program	GF/GP	2019	\$1,000,000	9/30/2021	N/A	N/A	N/A	N/A	\$250,000	N/A	Originally appropriated in 2018 PA 618; reauthorized (with different controlling boilerplate) in 2019 PA 28. MDARD distributed some assistance grants during FY 2018-19; is carrying some funding beyond September 30, 2019 to ensure that all eligible producers have access to grants.
Labor study	GF/GP	2019	\$60,000	9/30/2021	N/A	N/A	N/A	N/A	\$60,000	N/A	Work project funding would be used for cooperative effort with other state agencies to complete an enumeration study of Michigan farm worker population. Funding would be carried forward from the Executive direction line item. Michigan Department of Civil Rights is lead department and has related work project request.
<u>New and Authorized in Statute</u>											
Industrial Hemp Research and Development	GF/GP	2019	\$1,227,000	9/30/2021	N/A	N/A	N/A	N/A	\$1,277,000	2019 PA 56	FY 2018-19 Supplemental Appropriation (2019 PA 138) included \$1.277 million GF/GP for developing and implementing industrial hemp pilot research program in accordance with Michigan's Industrial Hemp Act, 2018 PA 641. Program activities include licensing, monitoring, and testing. Funds support staffing, equipment, and information technology related to licensing and inspections. The subcommittee had a meeting on November 5, 2019 regarding MDARD program activities under the Industrial Hemp Act, including funding requirements.
Food and agriculture investment program	GF/GP	2019	\$1,400,000	9/30/2020	N/A	N/A	N/A	N/A	\$1,400,000	2018 PA 207	The line item and related boilerplate Section 701 authorize a food and agriculture grant program. At the close of the FY 2018-19 fiscal year, the department had committed all but approximately \$1.4 million of the original \$5.1 million appropriation. Some grant commitments require the approval of the Commission on Agriculture and Rural Development.
<u>Prior Year Authorizations</u>											
Livestock market IT enhancements	GF/GP	2018	\$98,700	9/30/2021	\$0	\$0	\$0	\$68,600	\$0	N/A	At the close of FY 2017-18, \$100,000 GF/GP from the Animal disease prevention and response line item had been designated as a work project for a specific Information Technology project. The work project authorization was subsequently adjusted to \$98,700. The State Budget Office report indicates a work project balance of \$68,600 at the end of FY 2018-19. The project involves hardware and software systems that allow for livestock traceability, including Radio Frequency Identification readers, tablets, etc. The department contracts with vendors for installation of the equipment. The equipment is made available to markets and slaughterhouses.
Thoroughbred horse racing	GF/GP	2018	\$250,000	9/30/2020	\$0	\$0	\$0	\$250,000	\$0	2018 PA 207	This line item was added through a supplemental appropriation made in Article XX of 2018 PA 207, an Omnibus appropriation bill. The line was defined and designated as a work project in boilerplate Section 302 of Article XX. The line was intended to provide funding for thoroughbred racing supplements at licensed tracks after the only licensed thoroughbred racing track in Michigan closed in 2018. The appropriation was designated as a work project so that funds could be carried forward in the event that a new thoroughbred track is licensed.