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
  - Promotion of rural development and growth of agriculture industry
Key Budget Terms

Fiscal Year: The state’s fiscal year (FY) runs from October to September. FY 2018-19 is October 1, 2018 through September 30, 2019.

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 2018-19 MDARD Budget

<table>
<thead>
<tr>
<th>Fund Source</th>
<th>Funding</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Appropriations</td>
<td>$110,198,100</td>
<td>Total spending authority from all revenue sources</td>
</tr>
<tr>
<td>Interdepartmental Grants (IDG) Revenue</td>
<td>313,900</td>
<td>Funds received by one state department from another state department, usually for services provided</td>
</tr>
<tr>
<td>Adjusted Gross Appropriations</td>
<td>$109,884,200</td>
<td>Gross appropriations excluding IDGs; avoids double counting when adding appropriation amounts across budget areas</td>
</tr>
<tr>
<td>Federal Revenue</td>
<td>11,775,200</td>
<td>Federal grant or matching revenue; generally dedicated to specific programs or purposes</td>
</tr>
<tr>
<td>Local Revenue</td>
<td>0</td>
<td>Revenue received from local units of government for state services</td>
</tr>
<tr>
<td>Private Revenue</td>
<td>101,800</td>
<td>Revenue from individuals and private entities, including payments for services, grants, and other contributions</td>
</tr>
<tr>
<td>State Restricted Revenue</td>
<td>37,172,000</td>
<td>State revenue restricted by the State Constitution, state statute, or outside restriction that is available only for specified purposes; includes most fee revenue</td>
</tr>
<tr>
<td>State General Fund/General Purpose (GF/GP) Revenue</td>
<td>$60,835,200</td>
<td>Unrestricted revenue from taxes and other sources available to fund basic state programs and other purposes determined by the Legislature</td>
</tr>
</tbody>
</table>
FY 2018-19 Fund Sources

The largest revenue source, 55%, of the $110.2 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.
The MDARD budget represents less than 1 percent of the $57.2 billion state budget (adjusted gross) for FY 2018-19.
MDARD Share of Total GF/GP Budget

The MDARD budget also represents less than 1% of the state’s $10.4 billion GF/GP budget for FY 2018-19.
GF/GP support began to increase in FY 2012-13, reaching $66.3 million in FY 2017-18 – more than double the FY 2011-12 figure of $29.2 million. The GF/GP decline in FY 2018-19, to $60.8 million, is due to the end of certain one-time funding items.
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 (PPPM)
- Environmental Stewardship
- Laboratory
- Agriculture Development
- Support for County Fairs/Horse Racing
- One-time Grants or Projects
FY 2018-19 Gross Appropriations

Food and Dairy is the largest program and represents 20% of the $110.2 million MDARD budget.
FY 2018-19 GF/GP Appropriations

Food and Dairy also makes up almost one-quarter of the $60.8 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**.

- The **Food Safety Quality Assurance** program:
  - Protects the public from food-born 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 **18,000 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

Food Safety and Quality Assurance represent **$16.6 million** of the **$22.0 million** Food and Dairy appropriation. This is 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.
  - This program is necessary to ensure the state is in compliance with the Pasteurized Milk Ordinance (PMO), a national standard. Compliance with the PMO is necessary for the sale of Michigan milk products out-of-state.
Food and Dairy/Milk Safety Quality Assurance

**Milk Safety and Quality Assurance** represents **$5.4 million** of the **$22.0 million** Food and Dairy appropriation. This is 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.
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 $9.4 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 2019**, only four counties (Alcona, Alpena, Montmorency, and Oscoda) were still *Modified Accredited*.

• Michigan’s Bovine TB containment expenditures from FY 1994-95 thorough FY 2017-18 totaled $164.8 million. MDARD’s share of those expenditures totaled $120.3 million ($104.2 million GF/GP). These costs are primarily related to herd testing.
In February 2018, two cattle herds, one in Ottawa County and one in Kalamazoo County, were designated as TB infected based on testing. These are the most recent Bovine TB incident.

The two February 2018 infected herds were the 71st and 72nd TB-positive cattle herds in Michigan since 1998.

Including the two February 2018 infected herds, there have been 9 TB-infected herds in Michigan since March 2015; as well as two TB-infected feedlots.

There is concern that increased incidence of Bovine TB could put Michigan out of compliance a USDA Memorandum of Understanding. Loss of TB-Free status would result in additional movement restrictions for Michigan livestock producers and higher MDARD program costs.
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 totals $14.8 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 the largest **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.
MAEAP is the largest program within Environmental stewardship totaling $10.2 million. Over 75% 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 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 Division Programs

**State restricted revenue** for MDARD Laboratory Division comes primarily from a number of licensing and regulatory fee funds, including $3.3 million from the Refined Petroleum Fund for consumer protection/motor fuel pump inspections, and $1.4 million from the Gasoline Inspection and Testing Fund for motor fuel quality inspection program.
MDARD’s Office of Agriculture Development supports programs related to marketing and promoting Michigan food and agricultural products. Agriculture Development programs include:

- The Food and Agriculture Investment grant program ($5.1 million GF/GP) which seeks to promote and enhance Michigan’s food and agriculture industries.
- Rural development grant program ($2.0 million from non-ferrous mining tax).
- Michigan Craft Beverage Council (established through Public Acts 154 and 155 of 2018). Budget includes $934,800, primarily from certain non-retail liquor control fees, for administrative support and research grants.
- The Office of Agriculture Development oversees the $2.3 million federal specialty crop grant program established under the Farm Bill of 2014.
- The Office of Agriculture Development also provides staff assistance to 15 legislatively authorized commodity organizations.
Fairs and Horse Racing

- The MDARD budget includes $400,000 GF/GP funding for capital improvement grants for **County Fairs and Expositions**. (Additional funding provided in the One-time appropriation unit.)

- Includes $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.

- Michigan’s only licensed thoroughbred race course, Hazel Park Raceway, closed in April 2018. Michigan now has only one licensed race track, Northville Downs, which offers standardbred racing.

- 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 Appropriations

- The FY 2018-19 MDARD budget includes $5.0 million GF/GP identified as one-time appropriations – primarily for targeted grants:
  - $2.0 million to Michigan State University (MSU) for Animal Agriculture Initiative, which supports research grants related to animal agriculture.
  - $1.0 million for cash assistance to Michigan dairy producers.
  - $925,000 for County fairs, shows, and exhibitions, of which $275,000 is earmarked for improvements at the Tuscola County Fair and $150,000 for improvements at the Antrim County Fair.
  - $550,000 for upgrades to MSU mobile food labs.
  - $260,000 for the Ottawa County agriculture business and technical incubator (ACRE).
  - $150,000 earmarked for activities under the Industrial Hemp Research Act.
  - $120,000 for Project clarity, a watershed remediation pilot project sponsored by the Outdoor Discovery Center (OCD Network) in Holland Michigan.
For more information about the MDARD budget:

HFA Resources
http://www.house.mi.gov/hfa/Agriculture.asp

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