



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
 - 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 2020-21 is October 1, 2020 through September 30, 2021.

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.

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.

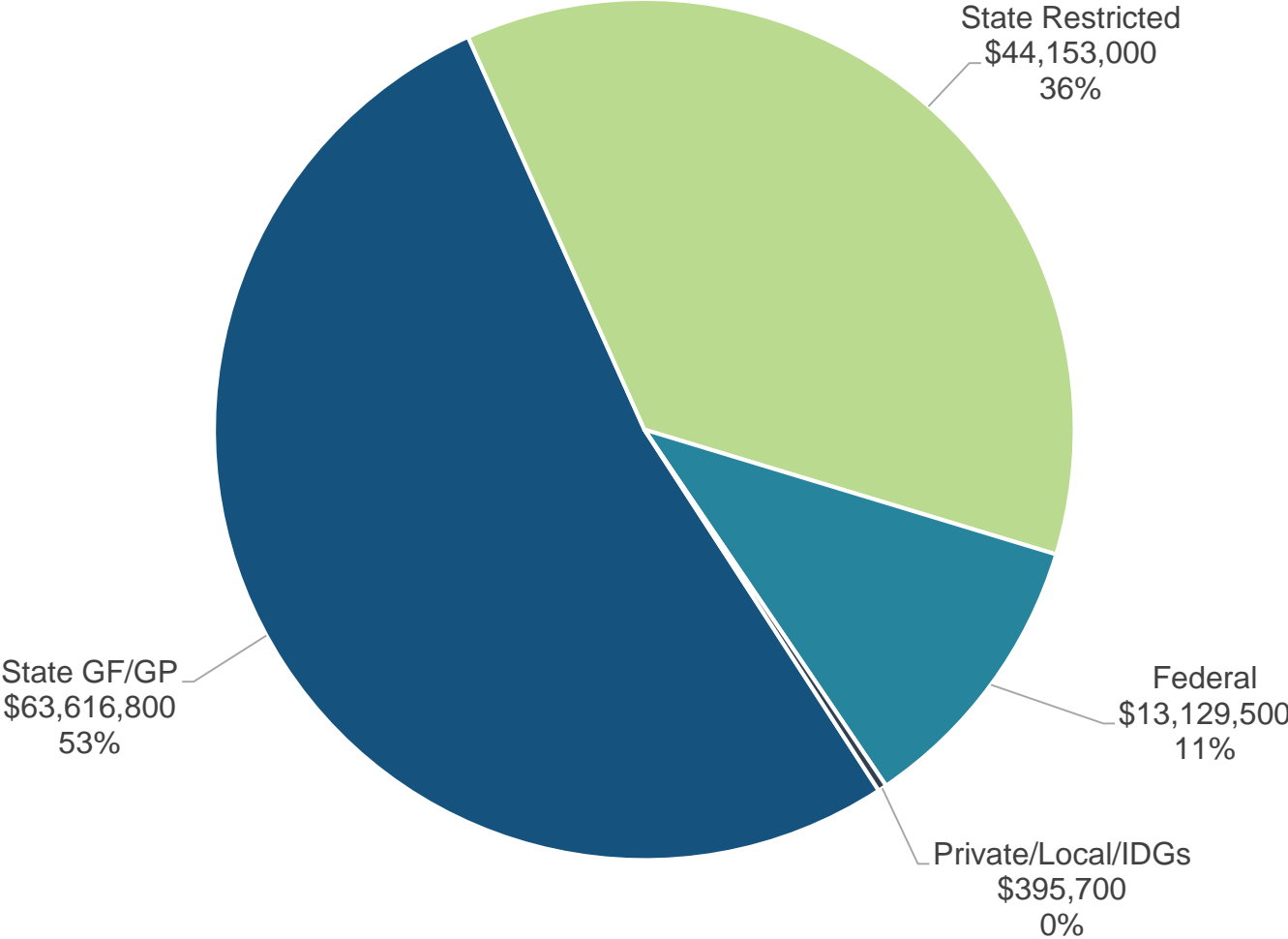
Funding Sources

FY 2020-21 MDARD Budget

Fund Source	Funding	Description
Gross Appropriations	\$121,295,000	Total spending authority from all revenue sources
Interdepartmental Grants (IDG) Revenue	324,400	Funds received by one state department from another state department, usually for services provided
Adjusted Gross Appropriations	\$120,970,600	Gross appropriations excluding IDGs; avoids double counting when adding appropriation amounts across budget areas
Federal Revenue	13,129,500	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	71,300	Revenue from individuals and private entities, including payments for services, grants, and other contributions
State Restricted Revenue	44,153,000	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	\$63,616,800	Unrestricted revenue from taxes and other sources available to fund basic state programs and other purposes determined by the legislature

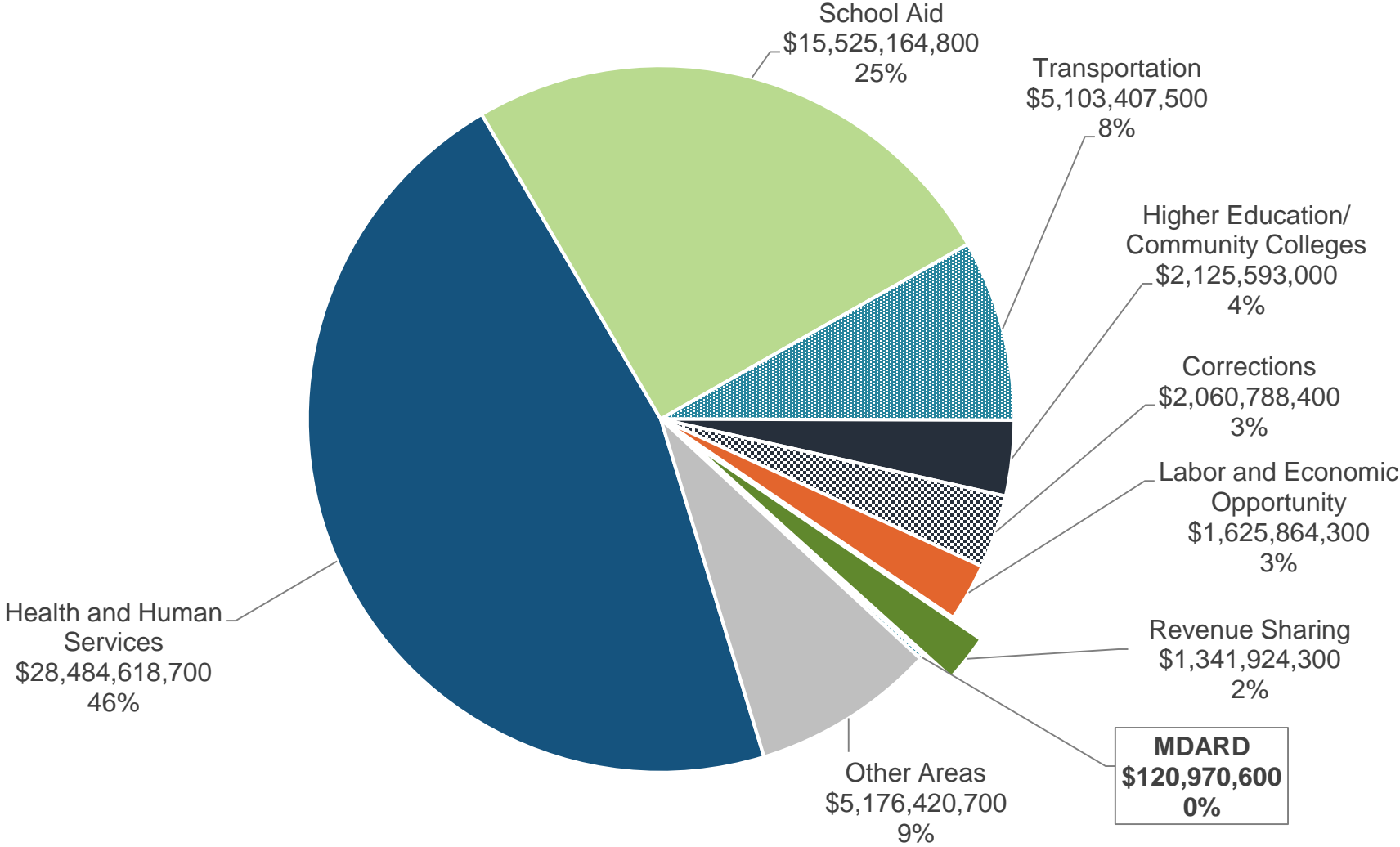
FY 2020-21 Fund Sources

State GF/GP appropriations are the largest revenue source in the **\$121.3 million** MDARD budget - equal to 53% of the budget. State restricted sources represent **36%** of the MDARD budget and Federal aid **11%**.



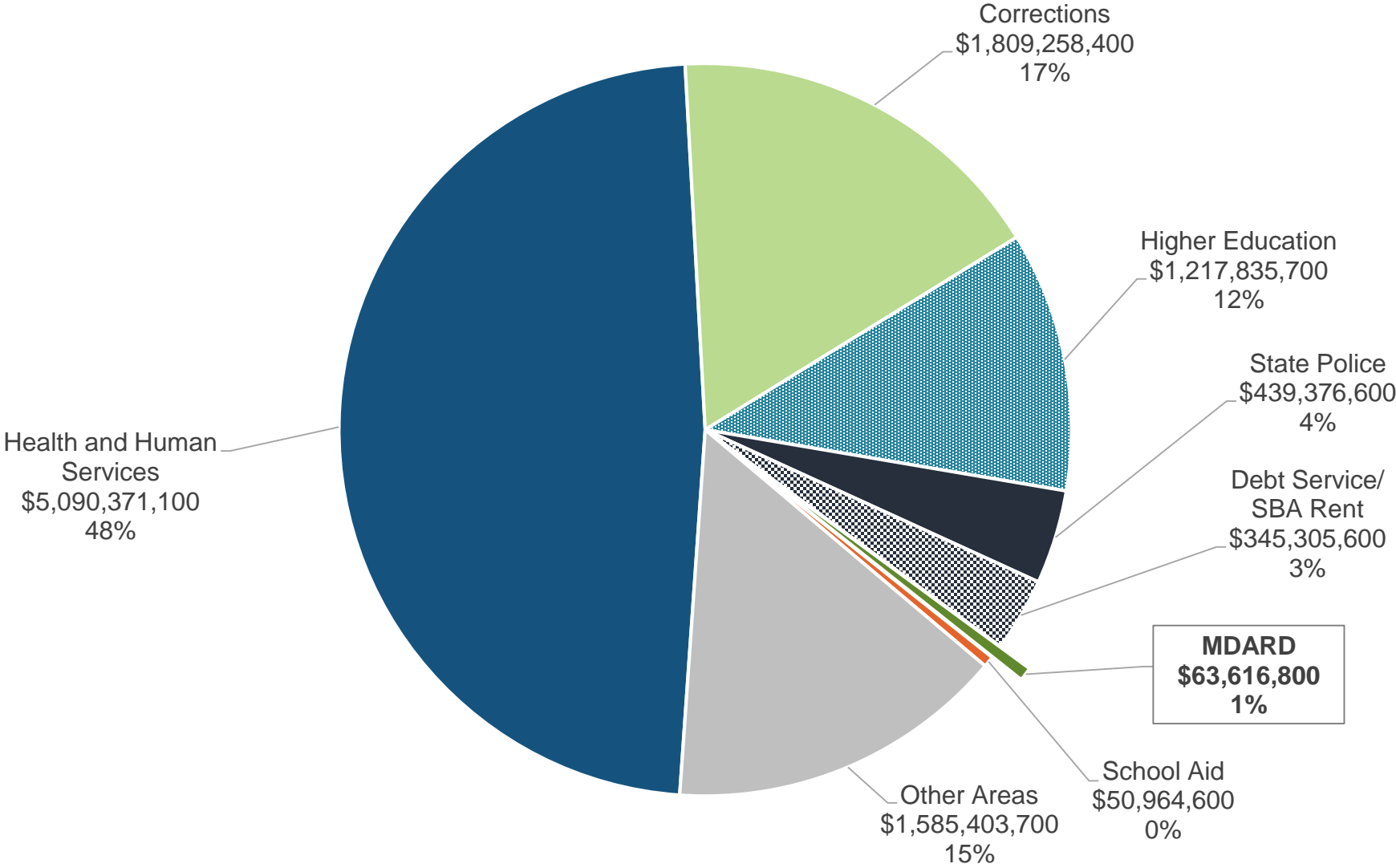
MDARD Share of Total State Budget

The MDARD budget represents less than 1% percent of the \$61.6 billion state budget (adjusted gross) for FY 2020-21



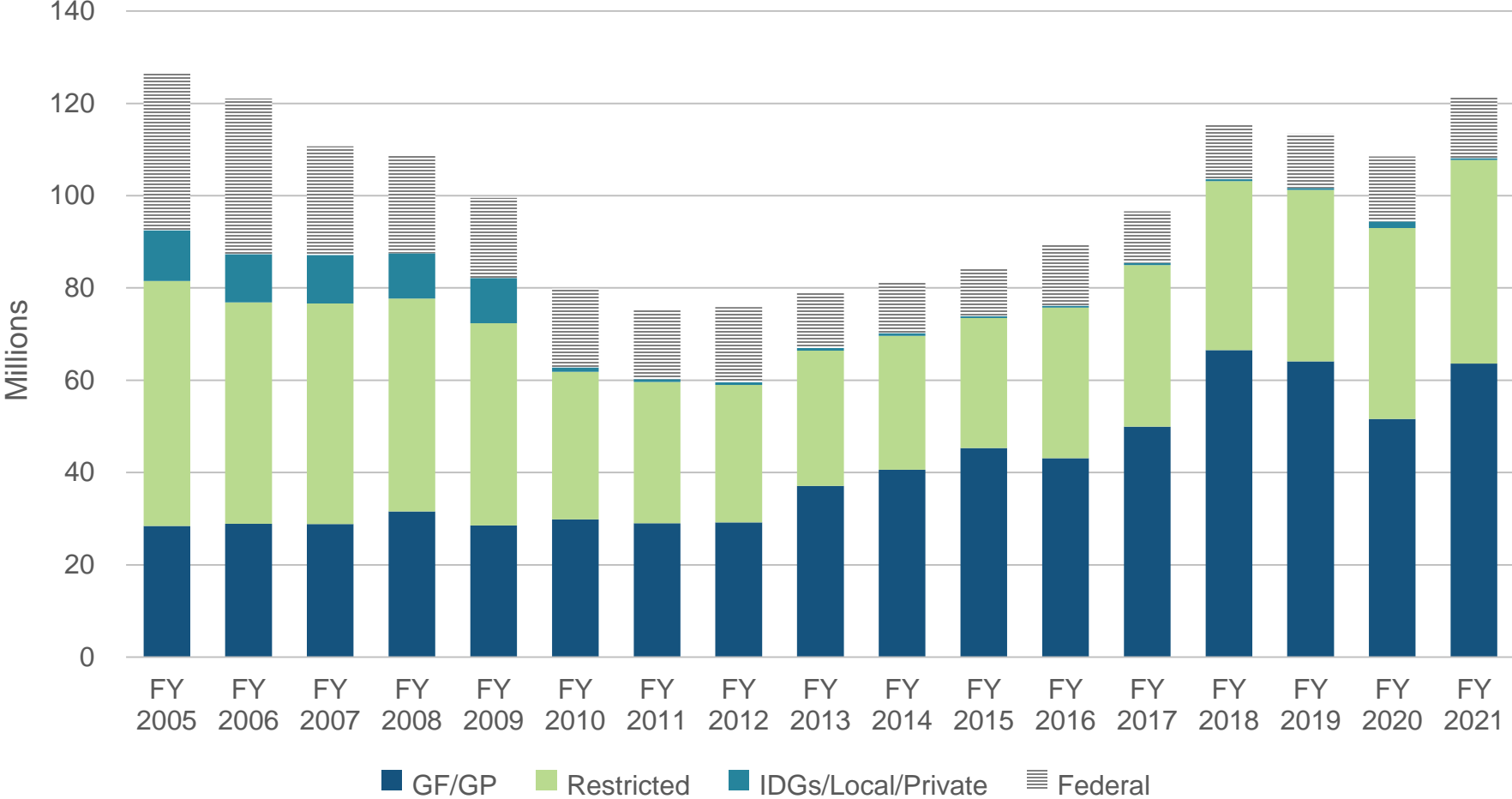
MDARD Share of Total GF/GP Budget

The MDARD budget represents less than 1% of the state's \$10.6 billion GF/GP budget for FY 2020-21



MDARD Funding History

GF/GP support began to increase in FY 2012-13, reaching **\$66.5 million** in FY 2017-18 – more than double the FY 2011-12 figure of **\$29.2 million**. GF/GP reductions in FYs 2018-19 and 2019-20 were due to the end of certain one-time items, and, in FY 2019-20, \$4.4 million Executive Order reduction. FY 2020-21 includes **\$63.6 million** GF/GP.



FY 2019-20 includes \$1.0 million from Federal CARES Act

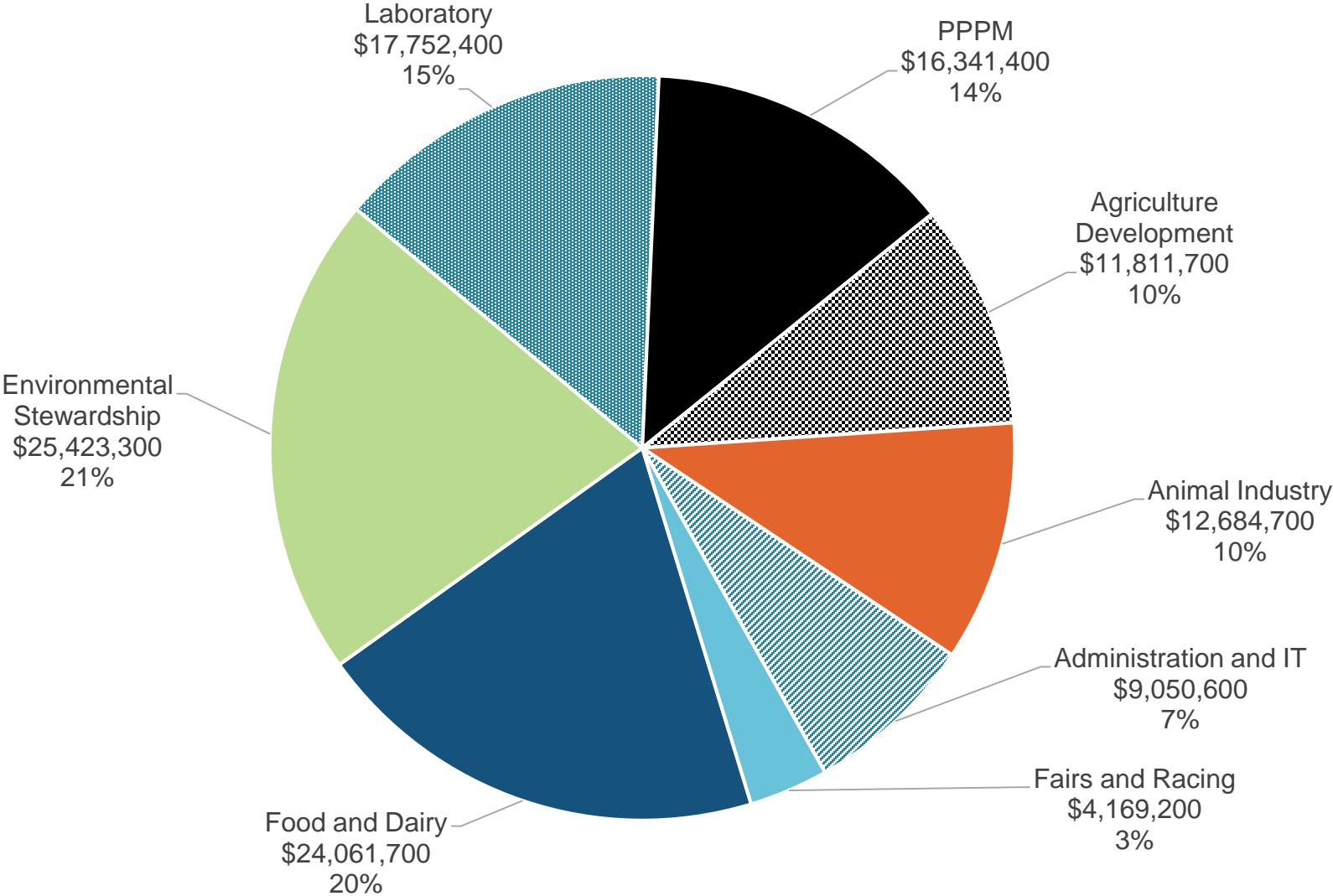
Appropriation Areas

MDARD Appropriation Areas

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

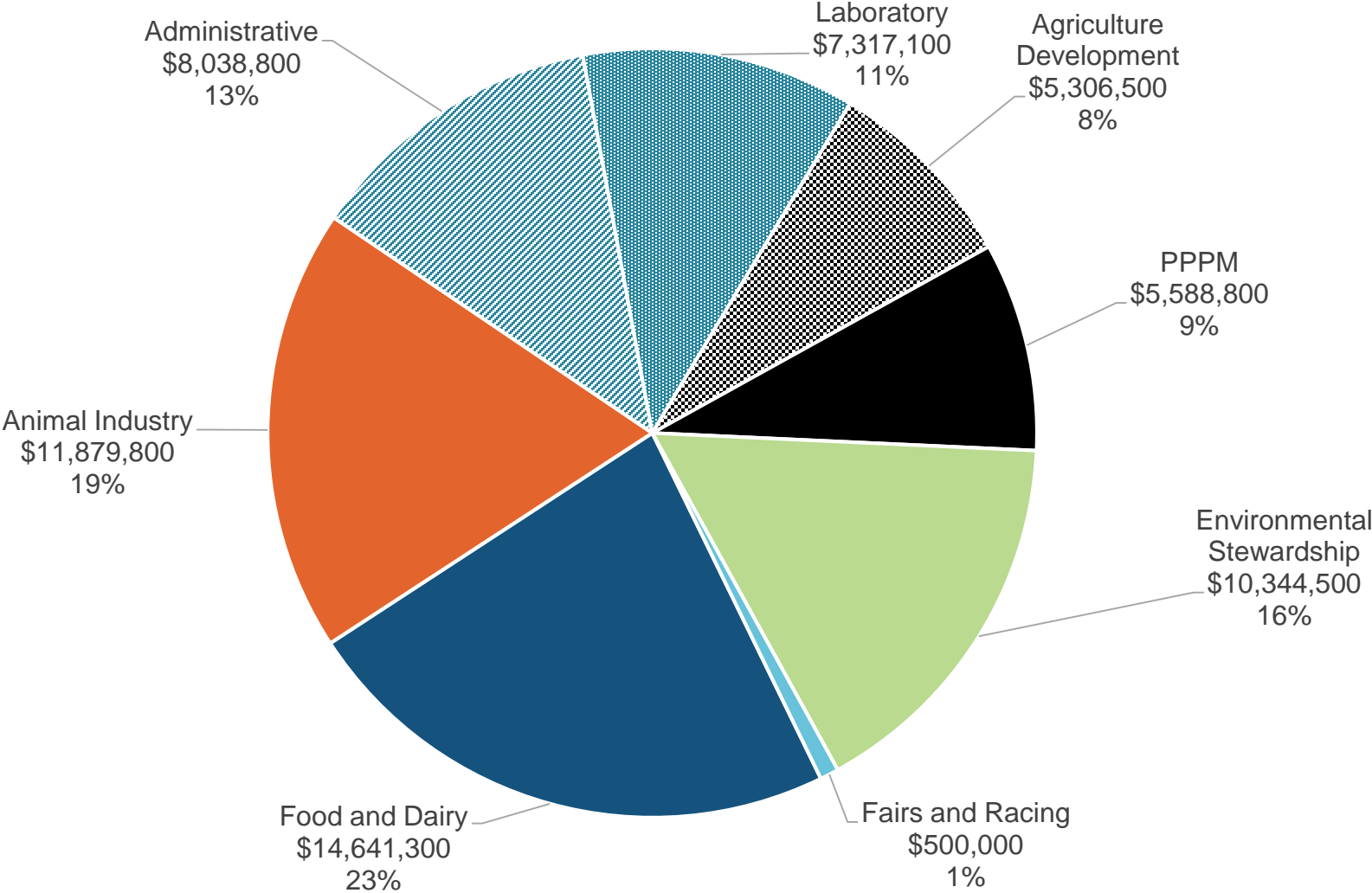
FY 2020-21 Gross Appropriations

Environmental Stewardship and Food and Dairy are the largest program areas in the \$121.3 million MDARD budget, representing 21%, and 20%, respectively, of the total.



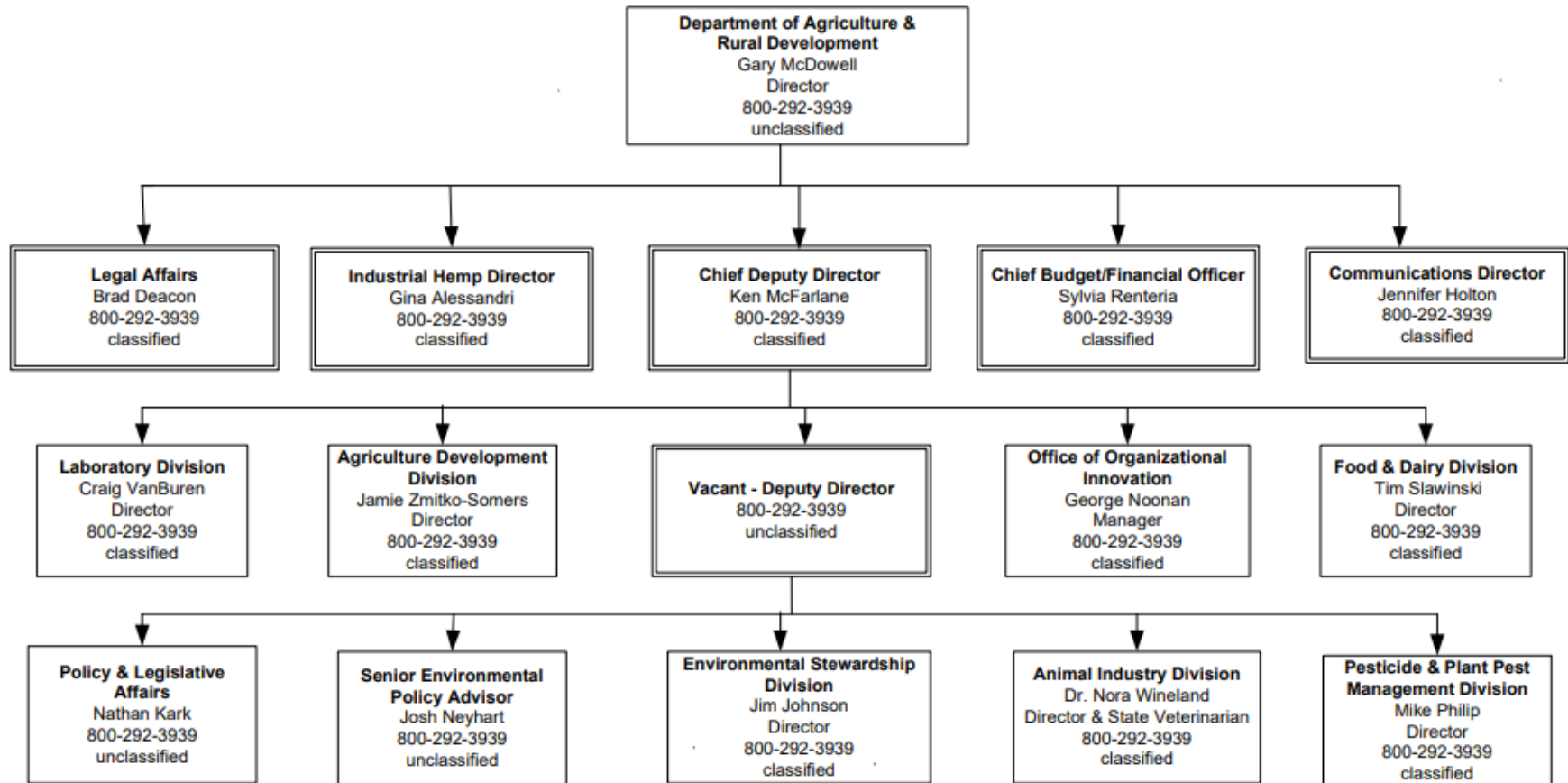
FY 2020-21 GF/GP Appropriations

GF/GP appropriations for Food and Dairy of \$14.6 million make up almost one-quarter of the \$63.6 million GF/GP in the MDARD budget. Environmental stewardship GF/GP appropriations are higher than normal because of \$4.4 million in one-time funding.



Major Budget Topics

MDARD Organizational Chart



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-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 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.

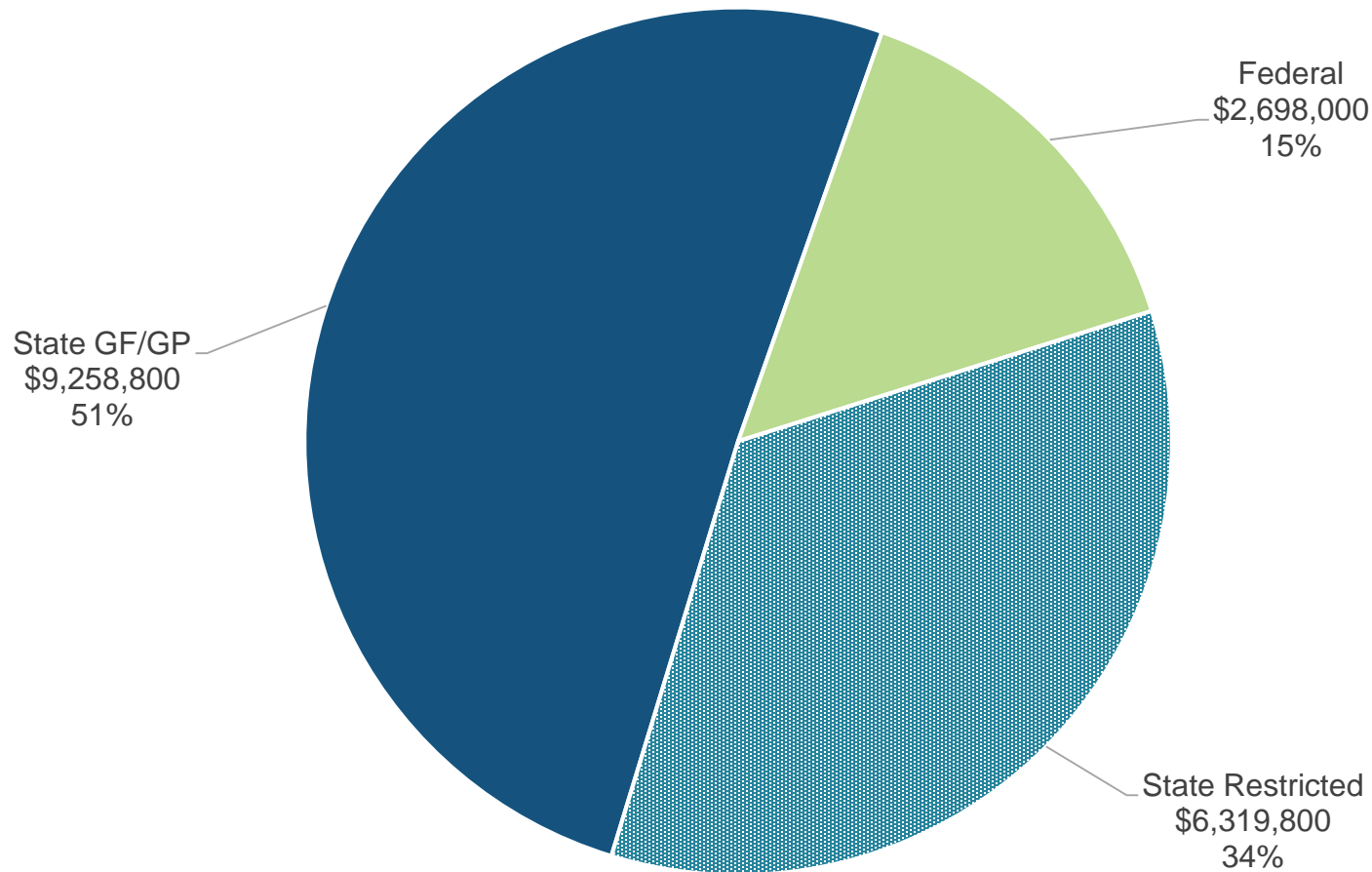
Food and Dairy/Food Safety Quality Assurance

NEW in FY 2020-21

- MDARD's Food Safety and Inspection program will begin working with the Department of Licensing and Regulatory Affairs, Marijuana Regulatory Agency, on joint inspections of edible marijuana processing facilities.
 - Up to 5.0 FTE positions may be dedicated to this activity.
 - This program is funded with a total of \$700,000 in state restricted revenue from fees and taxes established under Michigan's Medical Marijuana Facilities Licensing Act and Michigan's Regulation and Taxation of Marijuana Act.

Food and Dairy/Food Safety Quality Assurance

Food Safety and Quality Assurance represents **\$18.3 million** of the **\$24.1 million** Food and Dairy appropriation. This is a largely GF/GP funded program. Restricted funds for this program come primarily from food establishment licensing/regulatory fees established under the Food Law of 2000.

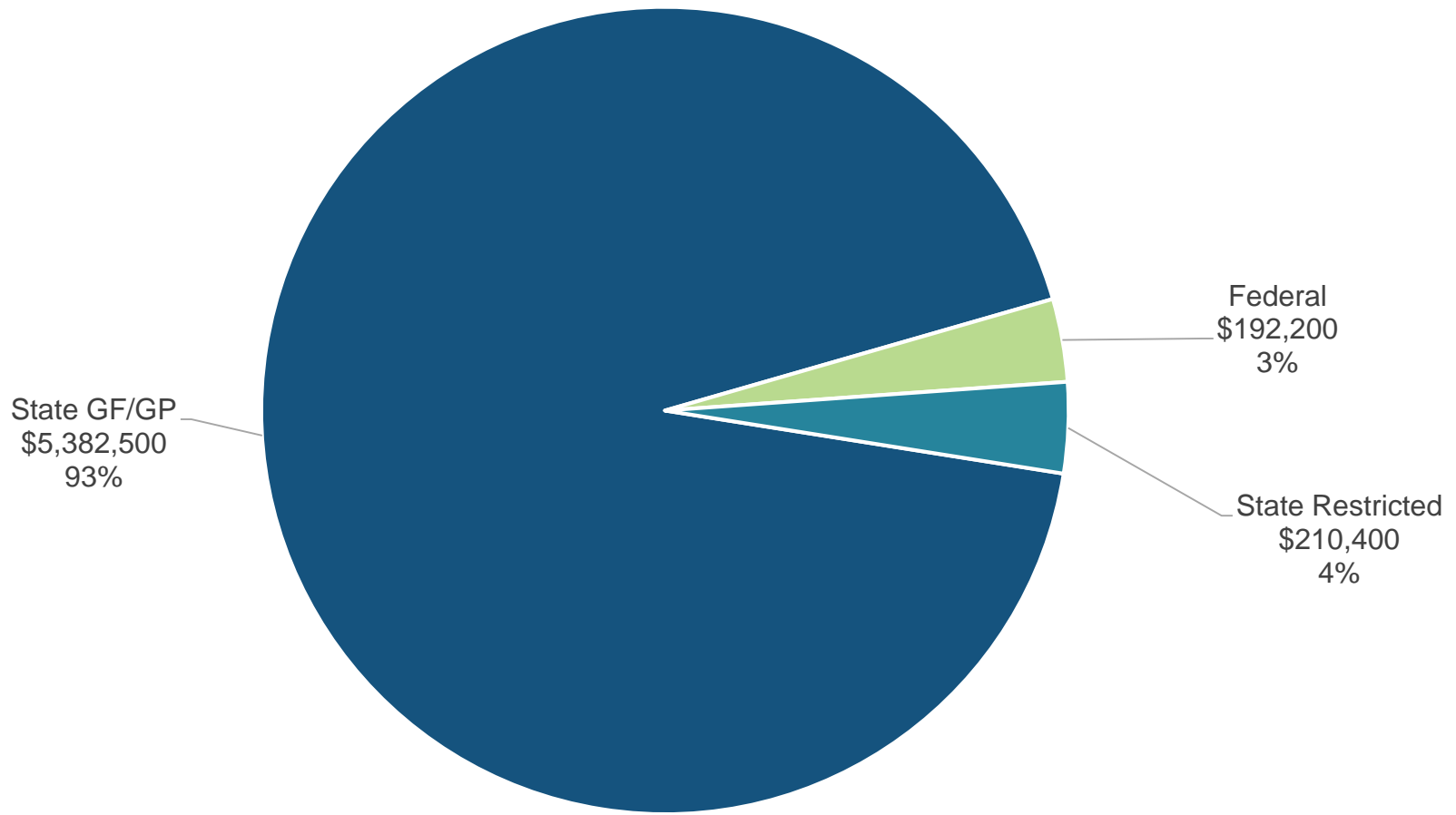


Food and Dairy/Milk Safety Quality Assurance

- 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 1,199 Grade A dairy farms, 99 dairy processing plants, 1,050 milk trucks, and 1,344 milk haulers/samplers.
 - 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 **\$5.8 million** of the **\$24.1 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.

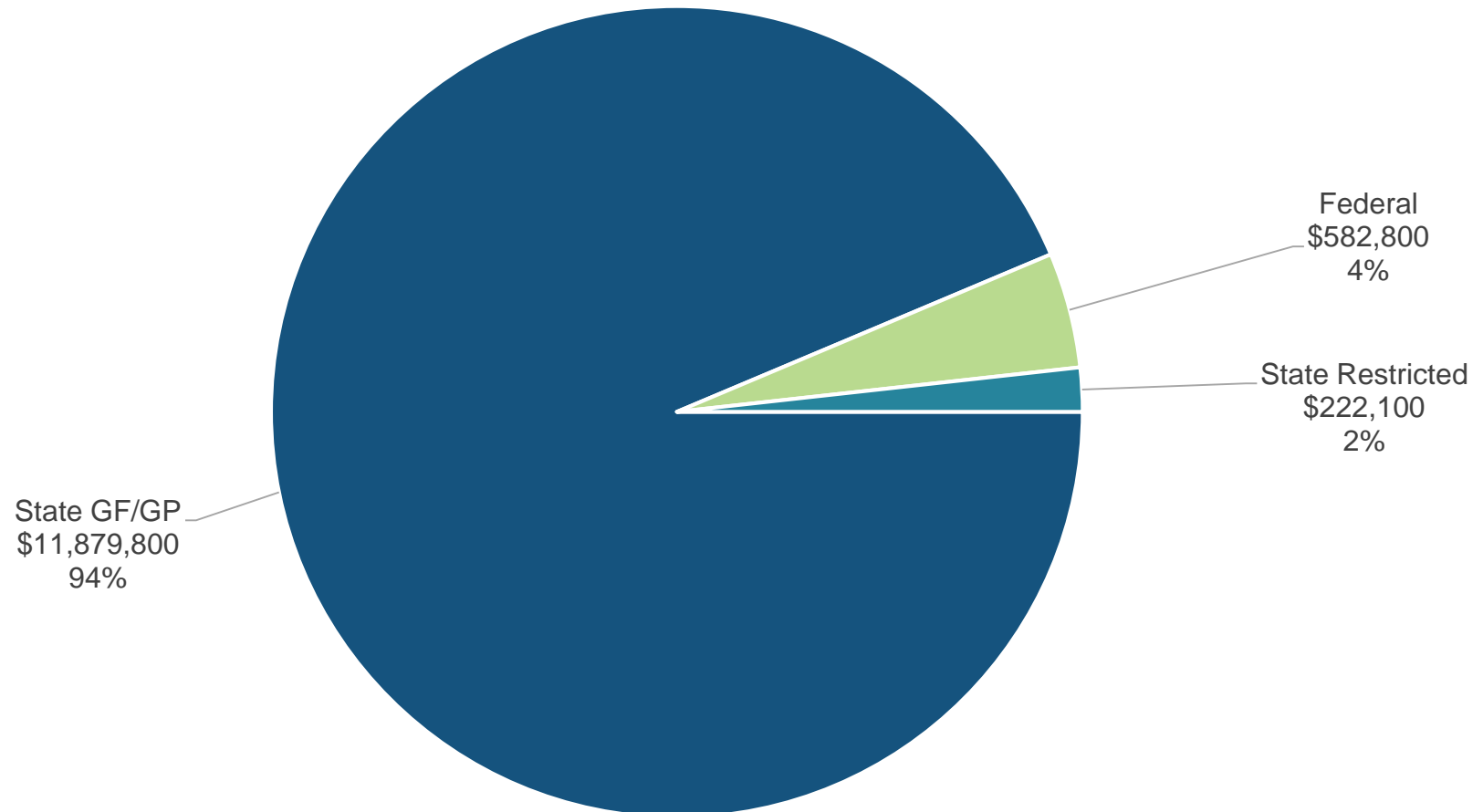


Animal Industry

- 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 over one-half of division activity.
 - Animal Industry appropriation includes \$3.0 million GF/GP for a Michigan State University Animal Agriculture research grant program.

Animal Industry

The Animal Industry appropriation of **\$12.7 million** is funded primarily from state GF/GP revenue. Animal Industry Division programs, including the Bovine TB program, total \$9.7 million, of which \$3.0 million GF/GP is appropriated for a Michigan State University Animal Agriculture research grant 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. 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

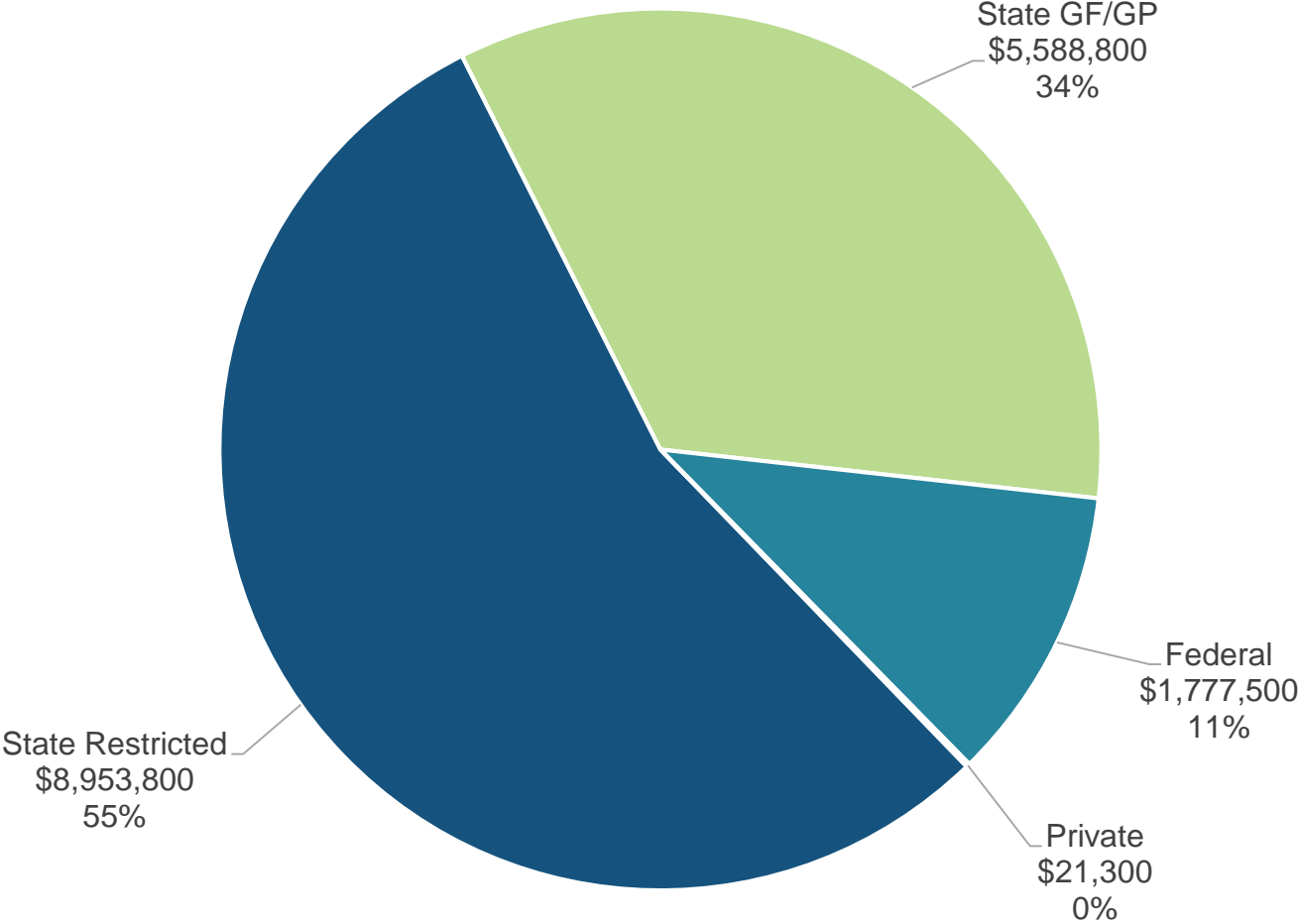
- On November 10, 2020, Bovine TB was confirmed in a medium-sized beef herd in Alpena County.
- The Alpena County herd is the 80th and most recent Bovine TB-positive herd confirmed in Michigan since 1998.
- There is concern that additional incidence of Bovine TB could put Michigan out of compliance with a USDA Memorandum of Understanding dated December 16, 2019. Loss of TB-Free status would result in additional movement restrictions for Michigan livestock producers and increased MDARD program costs.
- Michigan's Bovine TB containment expenditures from FY 1994-95 through FY 2019-20 totaled **\$180.7 million**. MDARD's share of those expenditures totaled **\$128.7 million**.
- MDARD Bovine TB costs are primarily supported by state GF/GP appropriations. These costs are primarily related to herd testing.

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, including industrial hemp
 - Inspection of animal feed
 - Exotic and Invasive Pest Detection and Response
 - Fruit and vegetable inspection services

Pesticide and Plant Pest Management

Appropriation for PPPM programs totals **\$16.3 million**. State restricted revenue, primarily from pesticide and fertilizer regulatory fees, provides 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

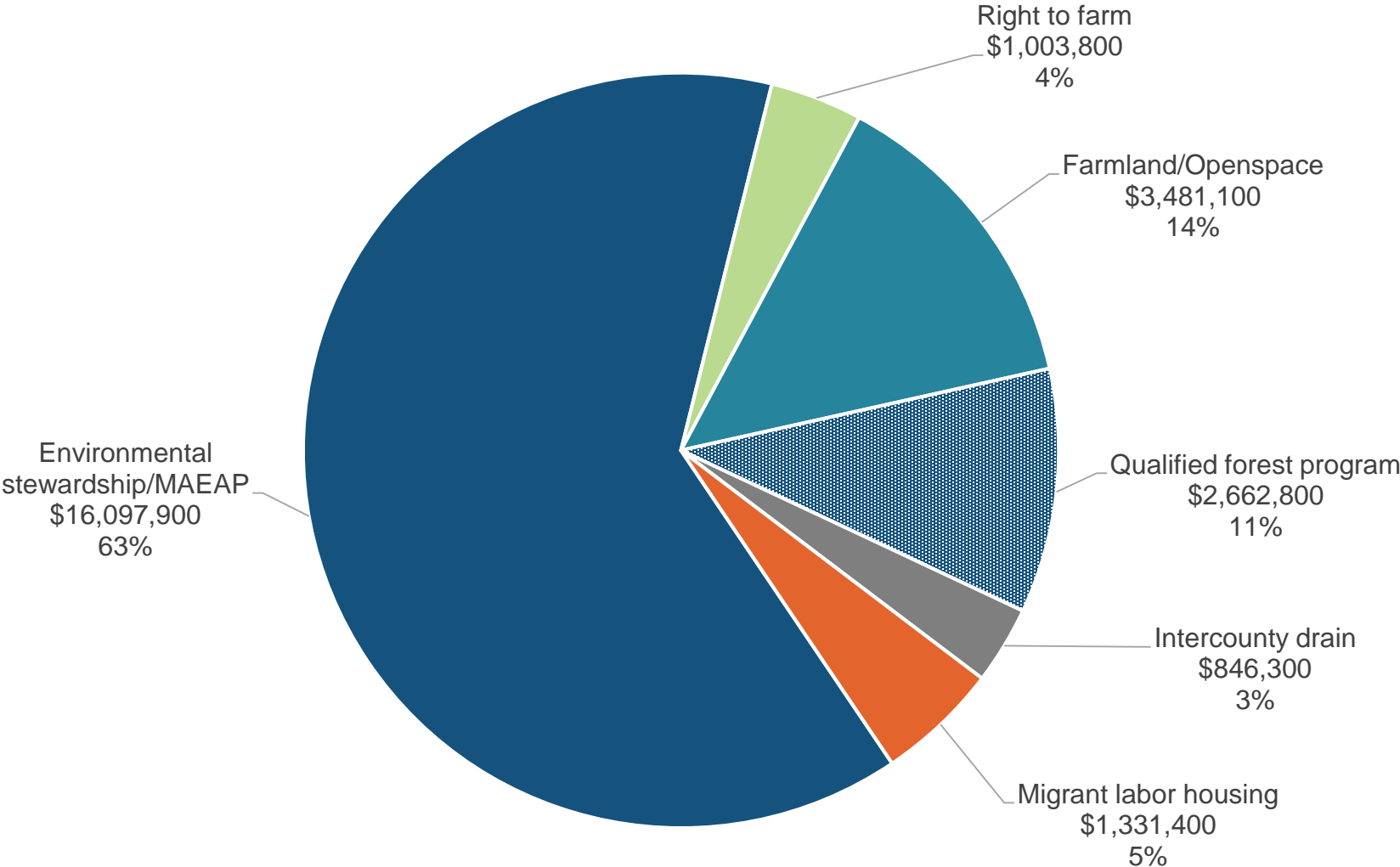
- MAEAP is the largest Environmental Stewardship Division program:
 - MAEAP is a voluntary program established in 1997 to reduce farmers' legal and environmental risks through: 1) education; 2) farm-specific risk assessment and practice implementation; and 3) on-farm verification to ensure the farmer 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 a number of changes to MAEAP, including increases in water quality protection fees. Authority to collect these fees expires December 31, 2021.
 - Many MAEAP activities are carried out through local conservation districts under contract with MDARD.
 - FY 2020-21 included \$5.0 million GF/GP for the Conservation Reserve Enhancement Program (CREP), including \$4.4 million in one-time funding.

Environmental Stewardship – CREP

- The Conservation Reserve Enhancement Program (CREP) is a subsidiary program within Environmental Stewardship/MAEAP:
 - CREP is a subset of the federal Conservation Reserve Program, authorized in the 2018 Federal Farm Bill.
 - CREP provides enhanced incentives to qualified producers and landowners in priority watershed areas to implement specific conservation practices designed to prevent soil erosion, improve water quality and wildlife habitat.
 - Farmers and other landowners who agree to enroll eligible parcels in the program for 15 years receive cost-share assistance for qualified conservation practices. Participants also received annual direct federal rental payments for land enrolled in the program. [Federal rental payments are made directly to program participants and are not included in MDARD budget.]
 - Environmental Stewardship/MAEAP line item includes \$600,000 GF/GP for ongoing education, outreach, and technical assistance.
 - \$4.4 million GF/GP is included as a one-time appropriation to provide part of the 50% non-federal cost-share for capital projects.

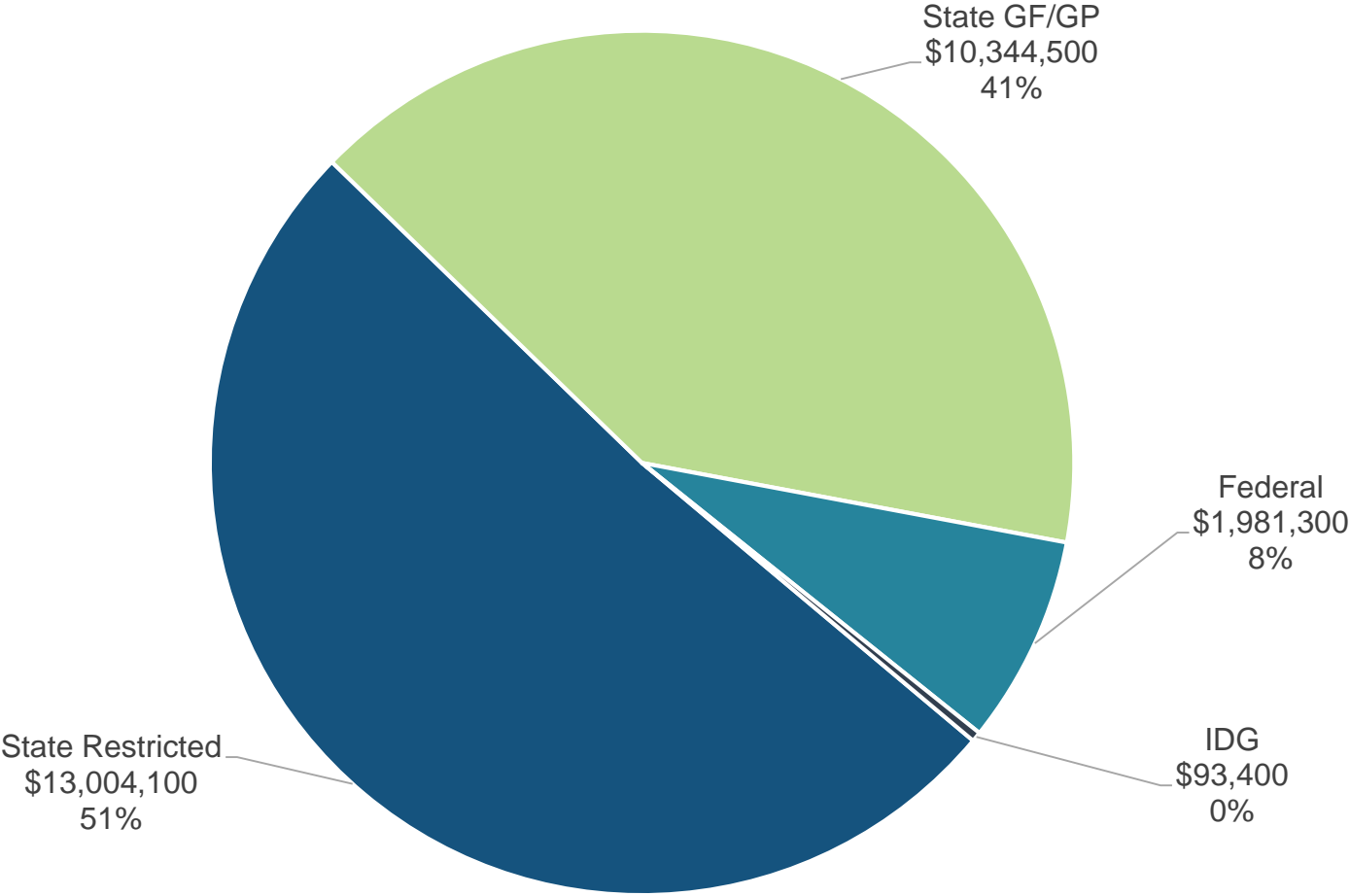
Environmental Stewardship – Programs

MAEAP is the largest program within Environmental Stewardship totaling \$16.1 million, including \$4.4 million in one-time GF/GP for CREP.



Environmental Stewardship – Funding

State restricted funds provide over half of Environmental Stewardship funding, this includes **\$8.3 million** in Freshwater Protection Fund water quality protection fee revenue for MAEAP. GF/GP funding includes \$4.4 million one-time for CREP.

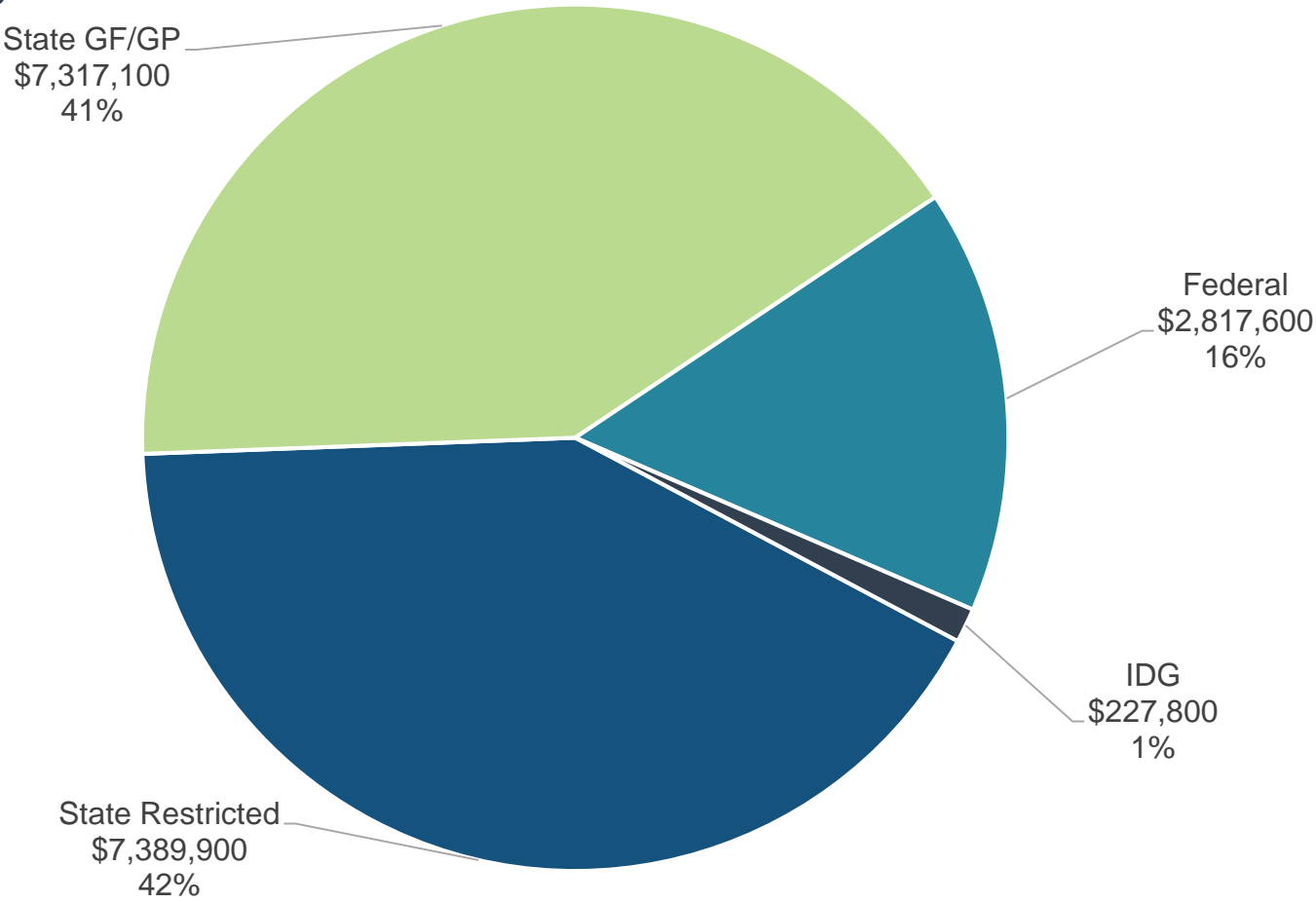


Laboratory Program

- 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

Laboratory Program appropriations total **\$17.8 million**. State restricted revenue support comes from a number of licensing and regulatory fee funds, including **\$3.4 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.



Agriculture Development

- MDARD's Office of Agriculture Development supports programs related to marketing and promoting Michigan food and agricultural products. Agriculture Development programs include:
 - Food and Agriculture Investment grant program (**\$2.5 million** GF/GP) seeks to promote and enhance Michigan's food and agriculture industries.
 - Rural Development grant program (**\$2.0 million** from a non-ferrous mining tax).
 - Includes **\$900,000** GF/GP for the Fair Food Network/Double Up Food Bucks Program.
 - Funding for the Michigan Craft Beverage Council (established through Public Acts 154 and 155 of 2018) totals **\$936,600**, primarily from certain non-retail liquor fees, used for administrative support and research grants.
 - The Office of Agriculture Development oversees the **\$2.2 million** federal specialty crop grant program established under the Farm Bill of 2018.

Fairs and Horse Racing

- Includes **\$3.7 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.
- The budget 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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