

**Summary: Executive Budget Recommendation
for Fiscal Years 2014-15 and 2015-16
DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT**



Analyst: Paul Holland

	FY 2013-14 Year-to-Date as of 2/5/14	FY 2014-15 Executive	Difference: FY 2014-15 Vs. FY 2013-14		FY 2015-16 Executive	Difference: FY 2015-16 Vs. FY 2014-15	
			Amount	%		Amount	%
IDG/IDT	\$524,300	\$318,100	(\$206,200)	(39.3)	\$318,100	\$0	0.0
Federal	9,960,900	9,198,300	(762,600)	(7.7)	9,198,300	0	0.0
Local	0	0	0	--	0	0	--
Private	96,900	98,300	1,400	1.4	98,300	0	0.0
Restricted	29,020,900	28,003,400	(1,017,500)	(3.5)	28,003,400	0	0.0
GF/GP	40,580,300	44,876,200	4,295,900	10.6	42,876,200	(2,000,000)	(4.5)
Gross	\$80,183,300	\$82,494,300	\$2,311,000	2.9	\$80,494,300	(\$2,000,000)	(2.4)
FTEs	440.0	452.0	12.0	2.7	452.0	0.0	0.0

Notes: (1) FY 2013-14 year-to-date figures include mid-year budget adjustments through February 5, 2014. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time." (3) FY 2015-16 figures are projected budget amounts only and would not be legally binding appropriations.

Overview

The Department of Agriculture and Rural Development (DARD) is responsible for regulating and promoting Michigan's agriculture and food industries in collaboration with the Michigan Commission of Agriculture and Rural Development, industry stakeholders, and citizens. DARD is organized into the following programmatic divisions: Animal Industry, which mitigates and eradicates infectious and contagious diseases, toxic substance contamination, and inhumane treatment affecting livestock and pets; Environmental Stewardship, which promotes resource sustainability and protects the natural environment in collaboration with conservation districts, drain commissioners, and landowners; Food and Dairy, which ensures the safety and sanitation of food and dairy products through inspection and licensure of suppliers and investigations of foodborne illness incidents; Pesticide and Plant Pest Management, which manages plant pest and disease prevention and regulates seed, plant, grain, and feed products and storage and the manufacture and use of pesticides and fertilizers; and Laboratory, which tests and analyzes groundwater, plant seeds, livestock, food and dairy products, and motor fuels and verifies nutritional labeling and weighting and measuring devices. Additionally, the Office of Agriculture Development promotes international marketing; endeavors to attract, expand, and retain jobs and investment; and administers various grant programs.

Major Budget Changes From FY 2013-14 YTD Appropriations		Executive Changes		
		FY 2013-14 YTD (as of 2/5/14)	FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16
1. Food Safety and Inspections	FTE	75.0	8.0	0.0
Increases spending and staff authorization to enhance inspections of and safety programs for food establishments. According to DARD, 55.0% of food establishments inspected in December of 2013 were in compliance with the Michigan Food Law of 2012. During FY 2012-13, GF/GP supported 61.0% of food safety and inspection expenditures.	Gross	\$10,881,200	\$1,160,000	\$0
	Federal	1,039,600	0	0
	Restricted	3,390,000	0	0
	GF/GP	\$6,451,600	\$1,160,000	\$0
2. Dairy Safety and Inspections	FTE	26.0	4.0	0.0
Increases spending and staff authorization to enhance inspections of and safety programs dairy producers. According to DARD, 91.3% milk safety inspections met national enforcement standards. During FY 2012-13, GF/GP supported 94.1% of dairy/milk safety expenditures.	Gross	\$3,821,300	\$600,000	\$0
	Federal	240,600	0	0
	Restricted	254,400	0	0
	GF/GP	\$3,326,300	\$600,000	\$0

Executive Changes

Major Budget Changes From FY 2013-14 YTD Appropriations	FY 2013-14 YTD (as of 2/5/14)	FY 2013-14 to FY 2014-15	FY 2014-15 to FY 2015-16	
3. Strategic Growth Initiative (One-Time)	Gross	N/A	\$2,000,000	(\$2,000,000)
Includes one-time spending authorization for the Strategic Growth Initiative (SGI) grant program which is intended to increase the economic impact of the food and agriculture industry. The FY 2013-14 DARD budget included \$1.0 million in ongoing GF/GP for the SGI within the DARD budget. Additionally, boilerplate Sec. 711(2) authorized DARD to receive and expend funds from the Michigan Economic Development Corporation (MEDC) which committed \$2.0 million for the SGI during FY 2013-14. MEDC funds are not anticipated for FY 2014-15.	GF/GP	N/A	\$2,000,000	(\$2,000,000)
4. Qualified Forest Program	FTE	5.0	0.0	0.0
Transfers spending authorization for the Qualified Forestry Program (QFP, modified by 2013 PAs 42 through 50) included in 2013 PA 59 as a one-time appropriation to the ongoing baseline. The 5.0 FTEs added by the FY 2013-14 DARD budget for the QFP were filled and work with landowners, local units of government, and conservation districts to verify affidavits, monitor Forestry Management Plans, provide training and outreach, audit property tax receipts, and develop and oversee forestry grants. (See #8 below.)	Gross	\$200,000	\$2,300,000	\$0
	IDG/IDT	200,000	0	0
	GF/GP	\$0	\$2,300,000	\$0
5. Pesticide and Plant Pest Management	FTE	81.0	0.0	0.0
Transfers spending authorization for the Pesticide and Plant Pest Management Division (PPPM) included in the FY 2013-14 DARD budget as a one-time appropriation, due to insufficient restricted revenue generated by statutory fees and past reductions in General Fund appropriations, to the ongoing baseline. For example, PPPM staff inspects and certifies horticultural and agricultural products for export; during FY 2012-13, PPPM expended \$1.0 million to issue 3,822 export certificates while related inspection fees generated \$231,750 in revenue. (See #8 below.)	Gross	\$10,996,300	\$800,000	\$0
	Federal	1,778,500	0	0
	Private	20,400	0	0
	Restricted	4,460,800	0	0
	GF/GP	\$4,736,600	\$800,000	\$0
6. Capital Outlay	Gross	\$300,000	(\$300,000)	\$0
Eliminates appropriation for DARD acquisition of development rights for unique or critical farmland and open space pursuant to Parts 361 and 362 of 1994 PA 451 because of lack of available revenue from the Agricultural Preservation Fund.	Restricted	300,000	(300,000)	0
7. Align with Available and Appropriate Revenues	Gross	\$2,602,600	(\$1,196,900)	\$0
Increases and decrease spending authorizations, for numerous funds affecting various line items to more accurately reflect available and appropriate revenues; results in a net decrease overall, but a net increase of GF/GP.	IDG/IDT	210,200	(210,200)	0
	Federal	1,348,000	(848,000)	0
	Private	20,000	0	0
	Restricted	1,024,400	(758,100)	0
	GF/GP	\$0	\$619,400	\$0
8. FY 2013-14 One-Time Appropriations	Gross	\$3,400,000	(\$3,400,000)	\$0
Eliminates FY 2013-14 one-time appropriations for qualified forest affidavit program (\$2.3 million, see #4 above), pesticide and plant pest management (\$800,000, see #5 above), and the Ottawa County water resources study (300,000 GF/GP).	GF/GP	\$3,400,000	(\$3,400,000)	\$0
9. Economic Adjustments	Gross	N/A	\$347,900	\$0
Increases and decreases spending authorization, resulting in a net increase, for negotiated salary and wage increases, insurance rates, actuarially-required retirement benefit rates, other postemployment benefits prefunding, workers' compensation costs, building occupancy costs and rent, and other incidental economic adjustments.	IDG/IDT	N/A	4,000	0
	Federal	N/A	85,400	0
	Private	N/A	1,400	0
	Restricted	N/A	40,600	0
	GF/GP	N/A	\$216,500	\$0

Major Boilerplate Changes From FY 2013-14

Sec. 215. Communication with the Legislature – DELETED

Prohibits DARD from taking disciplinary action against an employee for communicating with a member of the Legislature or its staff.

Sec. 232. Annual Legacy Costs – NEW

Identifies annual pension-related and retiree health care legacy costs for DIFS as pursuant to boilerplate Section 1202 of 2013 PA 59.

Sec. 302. Grants Reporting Requirements – DELETED

Prohibits DARD from awarding grants, excluding line item grants, unless DARD provides notice to the Legislature at least 10 days prior to award and the grants are used for research and related activities to enhance Michigan agricultural industrials.

Sec. 402. Foodborne Illness Reporting Requirement – DELETED

Requires DARD to submit a report to the Legislature describing significant foodborne illness outbreaks, including food safety enforcement actions taken during the previous fiscal year.

Sec. 451. Bovine Tuberculosis Split-State Status – DELETED

Requires DARD to pay for whole herd and individual animal testing costs, including indemnity and compensation for injuries causing animal death or downer, in the modified accredited zone to maintain split-state status requirements.

Sec. 453. Livestock Indemnification Payments – DELETED

Stipulates that DARD may expended up to \$100,000 per order from any line item for livestock indemnification provided that DARD reports the amount and the recipient to the Legislature and that indemnification payments shall be for fair market value for livestock killed by wolf, coyote, or cougar and shall be reported to the Legislature.

Sec. 454. Bovine Tuberculosis Eradication – DELETED

Requires DARD to collaborate with the USDA to obtain TB-free status for the Lower Peninsula zoned as a modified accredited area and convene a workgroup to aggressively work toward eradicating Bovine TB in the zone.

Sec. 456. Electronic Animal Identification – DELETED

Prohibits DARD from expending appropriations to enforce the mandatory electronic animal identification program for domestic animals other than cattle until guidelines are established in statute.

Sec. 457. Bovine Tuberculosis Program Report – DELETED

Requires DARD to submit quarterly reports to the Legislature pertaining to DARD's progress toward meeting USDA requirements outlined in the March 2007 Bovine TB Program review.

Sec. 458. Aquaculture Facility Testing – DELETED

Requires DARD to inspect and test aquaculture facilities and researchers and work with aquaculture facilities and researchers to identify, contain, and eradicate viral hemorrhagic septicemia.

Sec. 607. Intercounty Drainage Districts – DELETED

Stipulates intent that DARD continue activities supporting intercounty drainage districts pursuant to Chapter 5 of The Drain Code of 1956 and work with representatives of inter county drainage districts to fund associated costs.

Sec. 701. Rural Development Value-Added Grant Program – REVISED

Requires DARD to establish and administer the Rural Development Value-Added Grant Program and, in collaboration with a joint evaluation committee, award competitive grants to grantees proving a cash match; designates unexpended appropriation as work project and requires semiannual reports to the Legislature. Executive eliminates work project designation for unexpended appropriation and semiannual reporting requirement.

Sec. 706. Agriculture Development Activity Report – DELETED

Requires DARD to submit a report to the Legislature describing prior year agriculture development and export market development activities, including grant awards and resultant private and federal revenue availability.

Sec. 709. Grape and Wine Industry Council Report – DELETED

Requires DARD to submit a report to the Legislature describing the activities of the Grape and Wine Industry Council, including prior year accomplishments, expenditures, and grant awards.

Sec. 801. Agriculture Equine Industry Development Fund – DELETED

Stipulates that all appropriations from the Agriculture Equine Industry Fund shall be spent on equine-related purposes without prior approval from the Legislature.

Sec. 803. Thoroughbred Program Escrow – DELETED

Stipulates that if there is no live thoroughbred race meet during the fiscal year, the thoroughbred purse and program money shall be held in escrow for up to 18 months and that if there is no live thoroughbred race meet in the subsequent year, the purse pool distribution shall be the same as the distribution in the previous year.

Major Boilerplate Changes From FY 2013-14

Sec. 804. Michigan Gaming Control Board Costs – DELETED

Requires the Michigan Gaming Control Board (MGCB) to utilize actual expenditure data in determining the actual regulatory costs of conducting horse racing and shall provide that data to the Legislature and stipulates procedures to rectify regulatory costs with a certified horseman's organization funds and future race meets.

Sec. 1002. Capital Outlay Lump-Sum Payments – DELETED

Requires DARD to allocate lump-sum payments consistent with statutory provisions and the purposes for which funds are appropriated, addressing priority program and facility needs, and stipulates that the State Budget Director may authorize lump-sum appropriations to be available for no more than three subsequent fiscal years, with remaining appropriations lapsing into the originating funds.

Sec. 1003. Capital Outlay Carryforward – DELETED

Stipulates that the appropriations for capital outlay me be carried forward pursuant to Section 248 of the Management and Budget Act of 1984.

Sec. 1104. Ottawa County Water Resources Study – DELETED

Stipulates that the appropriation for the Ottawa County Water Resources Study shall utilize local partnership with stakeholder groups representing groundwater and public water supplies, delimitates the scope of the study, and requires the findings to be made available to DARD and DEQ.