

FY 2015-16: AGRICULTURE AND RURAL DEVELOPMENT
Summary: As Reported by House Subcommittee
House Bill 4094 (H-1), Draft 1



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IDG/IDT	FY 2014-15 YTD as of 3/12/15	FY 2015-16 Executive	FY 2015-16 House	FY 2015-16 Senate	FY 2015-16 Enacted	Difference: House From FY 2014-15 YTD	
						Amount	%
	\$318,100	\$317,300	\$317,300			(\$800)	(0.3)
Federal	10,126,200	10,427,900	10,427,900			301,700	3.0
Local	0	0	0			0	0.0
Private	98,300	128,100	128,100			29,800	30.3
Restricted	28,003,400	30,897,100	28,312,900			309,500	1.1
GF/GP	45,316,200	42,373,600	43,073,600			(2,242,600)	(4.9)
Gross	\$83,862,200	\$84,144,000	\$82,259,800			(\$1,602,400)	(1.9)
FTEs	452.0	460.0	460.0			8.0	1.8

Notes: (1) FY 2014-15 adjusted year-to-date figures include mid-year budget adjustments through March 12, 2015 (including Executive Order 2015-5, House Bill 4110, and House Bill 4112). (2) Appropriation figures include all proposed appropriation amounts, including amounts designated as "one-time."

Overview

Gross appropriations in House Bill 4094 (H-1, Draft 1) are \$1,884,200 less than the Governor's proposed budget; however, General Fund/General Purpose (GF/GP) appropriations in the House recommendation would be \$700,000 higher than the Governor's proposal. The House bill does not recognize fee increases proposed by the Governor; instead, for those line items which had reflected fee revenue increases in the Governor's proposal, the House substitute includes \$100 increases in baseline fee revenue pending agreement on various restricted fund fee increases.

House substitute also reflects a \$700,000 GF/GP boilerplate appropriation in support of fruit tree research, as well as a \$300,000 GF/GP appropriation to complete a commercial forestry audit started in the current fiscal year. The \$300,000 increase would be offset by \$150,000 reductions, each, in GF/GP support for the Qualified forest program and the One-time appropriation for laboratory equipment.

Department of Agriculture and Rural Development's key programs and priorities include ensuring food safety and security, protecting animal health and welfare, managing invasive exotic species, regulating pesticide use, certifying agricultural commodities, ensuring environmental stewardship, protecting consumers, and promoting the state's agricultural economy.

Major Budget Changes From FY 2014-15 YTD Appropriations	FY 2014-15 Year-to-Date (as of 3/12/15)	FY 2015-16 House Change
1. Operational Services		
This line item funds department business and administrative support functions, including centralized licensing functions. The proposed budget recognizes \$673,700 in additional restricted funds to properly align fund sources with projected expenditures. This increase does not reflect a projected increase in baseline service activity or costs. In prior years, Operations Services costs have been charged to back to other program areas. This increase is partially offset by \$2,700 Gross, (\$800 GF/GP) decrease related to economic adjustments, described further below.	FTEs 15.0	0.0
	Gross \$1,065,700	\$671,000
	Restricted 58,700	671,800
	GF/GP 1,007,000	(\$800)
2. Information Technology		
Reflects elimination of Agriculture Equine Industry Development Fund (AEIDF) revenue in this line item, and a \$2,700 GF/GP decrease to reflect economics. House concurs with Executive.	Gross \$1,460,000	(\$87,500)
	IDG 3,200	0
	Restricted 149,400	(84,800)
	GF/GP \$1,307,400	(\$2,700)

House concurs with Executive.

Major Budget Changes From FY 2014-15 YTD Appropriations	FY 2014-15 Year-to-Date (as of 3/12/15)	FY 2015-16 House Change
3. Food Safety and Quality Assurance	FTEs 83.0	0.0
<u>Executive</u> budget had recognized \$1.5 million proposed increase in food licensing and inspection fees and an additional 8.0 FTE positions. Fee revenue, established under the Food Law of 2000, is used to support department food safety programs.	Gross \$12,378,200	(\$354,700)
	Federal 1,255,000	(4,100)
	Restricted 3,432,000	(325,800)
	GF/GP \$7,691,200	(\$24,800)

House does not recognize the proposed fee increases; the substitute includes a \$100 increase in baseline fee revenue pending agreement of proposed revision of fees in the Food Law of 2000.

The line item also reflects the redirection of \$347,100 in Dairy and Food Safely Fund revenue to Operational Services, described above, and a \$31,300 increase in Consumer and Industry Food Safety Education fund support to reflect new allergen awareness requirements for food safety training programs under recent amendments to the Food Law of 2000 (Senate Bill 730 enacted as 2014 PA 516). The line also reflects economic adjustments which net to a \$39,000 Gross (\$24,800 GF/GP) decrease in anticipated program cost.

4. Milk Safety and Quality Assurance	FTEs 30.0	0.0
Reflects the redirection of \$37,900 in Dairy and Food Safely Fund revenue to Operational Services, described above, and economic adjustments netting to a \$10,700 Gross (\$9,900 GF/GP) decrease in anticipated program cost.	Gross \$4,219,200	(\$48,600)
	Federal 55,000	(100)
	Restricted 253,200	(38,600)
	GF/GP \$3,911,000	(\$9,900)

House concurs with Executive.

5. Animal Industry - Disease Prevention and Response	FTEs 60.0	0.0
Reflects the redirection of \$11,000 in Licensing and Inspection Fee revenue to Operational Services, described above, \$69,400 increased restricted and federal revenue to better align budget to actual anticipated revenue, and economic adjustments netting to a \$14,000 Gross (\$12,500 GF/GP) decrease in anticipated program cost.	Gross \$8,836,600	\$44,400
	Federal 565,400	18,800
	Restricted 257,800	38,400
	GF/GP \$8,013,400	(\$12,500)

House concurs with Executive.

6. Pesticide and Plant Pest Management (PPPM)	FTEs 81.0	(1.0)
<u>Executive</u> budget reflects \$1.2 million in proposed increases in pesticide, fertilizer, and feed licensing and regulatory fees used to support department's PPPM programs.	Gross \$12,181,800	(\$130,600)
	Federal 1,901,100	(5,300)
	Private 20,700	100
	Restricted 4,666,200	(109,300)
	GF/GP \$5,593,800	(\$16,100)

House does not recognize the proposed fee increases; the substitute includes a \$100 increase in baseline fee revenue pending agreement on proposed fee increases.

The line item also reflects the redirection of \$169,500 in Licensing and Inspection Fee revenue to Operational Services, described above, \$72,900 increased Commodity and Inspection Fee revenue to better align budget to actual anticipated revenue, and economic adjustments netting to a \$34,100 Gross (\$16,100 GF/GP) decrease in anticipated program cost. The reduction of one FTE is a technical adjustment.

7. Producer Security/Grain Dealer Program	FTEs 5.0	0.0
Reflects the redirection of \$7,800 in restricted revenue to Operational Services, described above, and \$6,000 increased Licensing and Inspection Fee revenue to recognize transfer of potato dealer licensing program to this line item (formerly in PPPM). Economic adjustments net to a \$1,100 Gross decrease in anticipated program cost – the GF/GP share of economic adjustments net to a \$100 increase.	Gross \$646,700	(\$2,900)
	Restricted 629,200	(3,000)
	GF/GP \$17,500	\$100

House concurs with Executive.

Major Budget Changes From FY 2014-15 YTD Appropriations	FY 2014-15 Year-to-Date (as of 3/12/15)	FY 2015-16 House Change
8. Environmental Stewardship/ MAEAP/Local Conservation Districts	FTEs 23.0	0.0
<u>House</u> concurs with <u>Executive</u> in rolling up three current line items into a single line encompassing the department's conservation and freshwater protection programs. These programs are supported by the state restricted Freshwater Protection Fund, by federal grant funding, and by state GF/GP revenue. The line item would be defied in boilerplate section 601. (Note that the FY 2014-15 Year-to-Date figure to the right shows the three current line items as if they were already rolled up in order to show the changes in baseline funding.)	Gross \$7,704,000	\$424,500
	Federal 1,343,200	298,800
	Restricted 5,013,000	129,800
	GF/GP \$1,347,800	(\$4,100)
Budget recognizes a \$300,000 EPA grant related to Western Lake Erie Basin projects, and \$140,000 related to a contract with Bayer CropScience LP.		
Although not recognized in the original enacted FY 2014-15 budget, and not included in the YTD total shown in the column to the right, the two grants/contracts noted above are also available to the department in the current year. Although the \$300,000 EPA grant was not assumed in the current year enacted budget, boilerplate section 604 gives the department authority to receive and expend additional federal grants. In addition, the State Budget Office has requested (March 10, 2015 letter) a Legislative transfer to authorize the expenditure in the current fiscal year \$140,000 related to the Bayer CropScience contract.		
Economic adjustments net to a \$15,500 Gross (\$4,100 GF/GP) decrease in anticipated program cost.		
9. Migrant Labor Housing	FTEs 9.0	0.0
The line item reflects the redirection of \$26,200 in Migratory Labor Housing Fund revenue to Operational Services, described above. Migrant Labor Housing Fund revenue comes from an inspection fee established in 2010 PA 13 and 2010 PA 14. The line also reflects economic adjustments which net to a \$1,500 Gross (\$1,300 GF/GP) decrease in anticipated program cost.	Gross \$1,214,300	(\$27,700)
<u>House</u> concurs with <u>Executive</u> .	Restricted 164,600	(26,400)
	GF/GP \$1,049,700	(\$1,300)
Budget recognizes a \$300,000 EPA grant related to Western Lake Erie Basin projects, and \$140,000 related to a contract with Bayer CropScience LP.		
Although not recognized in the original enacted FY 2014-15 budget, and not included in the YTD total shown in the column to the right, the two grants/contracts noted above are also available to the department in the current year. Although the \$300,000 EPA grant was not assumed in the current year enacted budget, boilerplate section 604 gives the department authority to receive and expend additional federal grants. In addition, the State Budget Office has requested (March 10, 2015 letter) a Legislative transfer to authorize the expenditure in the current fiscal year \$140,000 related to the Bayer CropScience contract.		
Economic adjustments net to a \$15,500 Gross (\$4,100 GF/GP) decrease in anticipated program cost.		
10. Qualified Forest Program	FTE 9.0	0.0
<u>House</u> would offset \$250,000 in GF/GP revenue with additional restricted revenue from the Private Forestland Development Fund. The House bill is \$150,000 GF/GP less than the <u>Executive</u> budget proposal.	Gross \$2,535,000	(\$2,500)
	Restricted 35,000	284,900
	GF/GP \$2,500,000	(\$252,400)
Budget also reflects economic adjustments which net to \$2,500 Gross (\$2,400 GF/GP) decrease in anticipated program costs.		
11. Commercial Forestry Audit Program	Gross \$150,000	\$150,000
<u>Executive</u> budget would eliminates funding for this program.	GF/GP \$150,000	\$150,000
<u>House</u> includes \$300,000 GF/GP to provide for the final two years of the three-year commercial forestry audit. (See related boilerplate Sec. 609.)		
12. Laboratory Services	FTEs 36.0	1.0
Reflects the redirection of \$74,200 in restricted Licensing and Inspection Fee revenue to Operational Services, described above and economic adjustments which net to a \$13,000 Gross (\$5,300 GF/GP) decrease in anticipated program cost. <u>House</u> concurs with <u>Executive</u> .	Gross \$5,409,200	(\$87,200)
	IDG 213,500	(600)
	Federal 782,900	(1,800)
	Restricted 2,203,000	(79,500)
	GF/GP \$2,209,800	(\$5,300)
13. Consumer Protection Program	FTEs 41.0	(1.0)
Line supports motor fuel quality program, weights and measures, and metrology laboratory. Restricted revenue includes \$3.4 million from the Refined Petroleum Fund. The line reflects economic adjustments which net to a \$10,900 Gross (\$0 GF/GP) decrease in anticipated program cost.	Gross \$6,083,100	(\$10,900)
	Restricted 5,656,500	(10,900)
	GF/GP \$600	\$0
<u>House</u> concurs with <u>Executive</u> .		

Major Budget Changes From FY 2014-15 YTD Appropriations		FY 2014-15 Year-to-Date (as of 3/12/15)	FY 2015-16 House Change
14. Agriculture Development	FTEs	11.0	0.0
Program assists with local and regional economic development activities, including promotion of agricultural exports. <u>Executive</u> budget reflects economic adjustments.	Gross	\$3,579,500	\$697,200
	Federal	2,300,000	(1,800)
	Restricted	86,800	(200)
	GF/GP	\$1,192,700	\$699,200
<u>House</u> includes \$700,000 GF/GP to support fruit tree industry research. (See related boilerplate Sec. 702.)			
15. Grape and Wine Program	FTEs	3.0	0.0
Recognizes additional \$30,000 in restricted revenue (non-retail liquor fees) to better reflect actual anticipated revenue. Reflects economic adjustments which net to a \$2,000 Gross (\$0 GF/GP) decrease in anticipated program cost. <u>House</u> concurs with <u>Executive</u> .	Gross	\$858,500	\$28,000
	Restricted	828,500	28,000
16. Strategic Growth Initiative	Gross	\$2,050,000	(\$950,000)
<u>Executive</u> budget would combine two current year grant programs, Rural Development Value-Added grants, and Food and Agriculture Industry Growth Initiative, into a single line-item grant program, Strategic growth initiative, funded at \$1.1 million GF/GP. This is \$950,000 less than the current total funding for the two combined programs. The FY 2014-15 Adjusted Year-To-Date figure to the right is the total for the two current year line items <u>House</u> concurs with <u>Executive</u> .	GF/GP	\$2,050,000	(\$950,000)
17. Horse Racing Programs	FTEs	3.0	(2.0)
The fund source for this line item is the Agriculture Equine Industry Development Fund (AEIDF). Budget reduces funding and 2.0 FTE positions for fairs and racing administration functions. Budget retains current year funding for horse racing awards and purse supplements.	Gross	\$3,167,300	(\$100,100)
	Restricted	3,167,300	(100,100)
<u>House</u> concurs with <u>Executive</u> .			
18. County Fairs Capital Improvement Grants	Gross	\$320,000	(\$150,000)
<u>Executive</u> budget would reduce funding for county fairs capital improvement grants program to \$170,000. <u>House</u> concurs with <u>Executive</u> .	GF/GP	\$320,000	\$150,000
19. Shows and Expositions	Gross	\$50,000	(\$50,000)
<u>Executive</u> budget would eliminate shows and expositions grant program. <u>House</u> concurs with <u>Executive</u> .	GF/GP	\$50,000	(\$50,000)

Major Budget Changes From FY 2014-15 YTD Appropriations		FY 2014-15 Year-to-Date (as of 3/12/15)	FY 2015-16 House Change
20. Food and Agriculture Industry Strategic Growth Initiative (One-Time)	Gross	\$1,400,000	(\$1,400,000)
<u>Executive</u> eliminates one-time GF/GP competitive grant program. The original appropriation was \$2.0 million; reduced by \$600,000 after Executive Order 2015-5. <u>House</u> concurs with <u>Executive</u> .	GF/GP	\$1,400,000	(\$1,400,000)
21. Muskegon Farmers Market (One-Time)	Gross	\$200,000	(\$200,000)
Eliminates one-time GF/GP authorization for a grant award to the Muskegon Farmers Market. <u>House</u> concurs with <u>Executive</u> .	GF/GP	\$200,000	(\$200,000)
22. Ottawa County Agriculture Incubator (One-Time)	Gross	\$500,000	(\$500,000)
Eliminates one-time GF/GP authorization for a grant award to Ottawa County to establish the nonprofit Ag-Tech Business Incubator. <u>House</u> concurs with <u>Executive</u> .	GF/GP	\$500,000	(\$500,000)
23. One Item Capital Equipment for Geagley Laboratory – NEW	Gross	\$0	\$350,000
<u>Executive</u> budget included \$500,000 one-time GF/GP funding for laboratory testing equipment. <u>House</u> is \$150,000 GF/GP less than the Governor's proposal.	GF/GP	\$0	\$350,000
24. Economic Adjustments	Gross	N/A	(\$167,400)
Reflects net cost reduction of \$167,400 million Gross (\$92,600 GF/GP) for negotiated salary and wage amounts (2.0% base increase), insurance rate increases, reductions in actuarially-determined retirement rates, and other economic adjustments. These adjustments are reflected in the line item changes described above.	IDG	N/A	(800)
	Federal	N/A	(18,100)
	Private	N/A	(200)
	Restricted	N/A	(55,700)
	GF/GP	N/A	(\$92,600)

Major Boilerplate Changes From FY 2014-15

Sec. 303. On-Line Licensing Applications - NEW

Indicates Legislative intent that the department use revenue from licensing and inspection fees to increase the use of technology in licensing and inspection activities to make licensing and inspection functions, including reporting, more efficient. Directs the department to work to ensure that all license and registration applications can be completed on-line through a secure web portal.

Sec. 401. Food Safety and Quality Assurance – NEW

Directs that from the additional funds appropriated for food safety programs in Part 1, from proposed increases in food safety licensing and inspection fees, the department increase the number of inspections at licensed food establishments. The section further directs the department to identify specific outcomes and performance measures.

Sec. 402. Food Safety Report – MODIFIED

Retains the current report on food-borne outbreaks and emergencies related to food safety, but as a part of the department's Food and Dairy annual report. Retains the April 1 reporting due date.

Major Boilerplate Changes From FY 2014-15

Sec. 451 Bovine Tuberculosis Split State Status – MODIFIED

Requires department to pay for all whole-herd and individual-animal testing costs to maintain split-state status, including indemnity. Makes minor wording change.

Sec. 453. Indemnification Payments – RETAINED

Authorizes department to provide for indemnity pursuant to Animal Industry Act; limits indemnification orders to \$100,000 per order; provides for report. Subsection (2) authorizes department to indemnify for livestock killed by wolves, coyotes, or cougars. Subsection (3) provides for a report.

Sec. 454. Bovine TB – MODIFIED

Directs department to collaborate with USDA and work to eradicate Bovine TB; minor changes to wording.

Sec. 456. Electronic Animal Identification (EID) – RETAINED

Prohibits use of funds to enforce EID program for domestic animals other than cattle without specific authorization in statute.

Sec. 457. Bovine TB Report – RETAINED

Requires quarterly report on Bovine TB program.

Sec. 458. Aquaculture and Viral Hemorrhagic Septicemia (VHS) Eradication Programs – DELETED

Requires department support for inspection and testing of aquaculture facilities; states legislative intent with regard to VHS surveillance program.

Sec. 459. Bovine TB Testing, Legislative Intent – RETAINED

Indicates that it is the intent of the Legislature that the department not conduct whole-herd testing of any one herd in a TB-free zone more often than once every four years, except under specific conditions.

Sec. 501. Pesticide and Plant Pest Management – NEW

Directs that from the additional funds appropriated for PPPM programs in Part 1, from proposed fee increases, the department improve its ability to perform proper surveillance of the fertilizer and pesticide industries.

Sec. 601. Environmental Stewardship – MODIFIED

Clarifies intent of line item funding: "*The funds appropriated in part 1 for environmental stewardship/MAEAP shall be used to support department agriculture pollution prevention programs, including groundwater and freshwater protection programs under Part 87 of the Michigan natural resources and environmental protection act, 1994 PA 451, and technical assistance in implementing conservation grants available under the federal farm bill of 2014.*"

Sec. 603. Local Conservation Districts – DELETED

Deletes current language that directs the use of money appropriated for local conservation districts in Part 1. The proposed budget would roll up the Local Conservation District line item into the MAEAP/Environmental Stewardship line item.

Sec. 604. Appropriation of Excess Federal Revenues – RETAINED

Authorizes the department to expend federal revenues in excess of the appropriation under section 107 in part 1 upon notification of the Legislature.

Sec. 605. MAEAP Restrictions – DELETED

Current language restricts funding for the Michigan Agriculture Environmental Assurance Program (MAEAP) to the specific MAEAP appropriation in Part 1. The proposed budget would roll up the MAEAP line item into a new MAEAP/Environmental Stewardship line item.

Sec. 607. Inter-County Drain Program – DELETED

Indicates legislative intent that department continue its activities as provided under the Drain Code.

Sec. 608. Qualified Forest Program – RETAINED

Defines purpose of program as increasing knowledge of nonindustrial private forestland owners' best management practices and increasing the amount of commercial timber production from those lands.

Sec. 609. Commercial Forestry Audit Program – MODIFIED

Defines purpose and uses of commercial forestry audit appropriation in par 1; indicates appropriation is a work project; provides for a report.

Sec. 701. Rural Development Value Added Grant Program – DELETED

Deletes current language that provided guidance for the program. The proposed budget would roll up this grant program into a new Strategic Growth Initiative grant program.

Major Boilerplate Changes From FY 2014-15

Sec. 702. Tree Fruit Study Research – NEW

Earmarks \$700,000 from the Agriculture Development line as matching funds for tree fruit research. Provides work project status.

Sec. 706. Agricultural Development – MODIFIED

Requires department to report on agricultural development and export market development activities; modifies to establish specific reporting requirement for grants.

Sec. 711. Strategic Growth Initiative Grant Program – MODIFIED

Modifies current language that had applied to the “food and agriculture industry growth initiative” grant program and instead references a new Strategic Growth Initiative grant program; provides guidance for program grants.

Sec. 801. Ag Equine Industry Development Fund – RETAINED

Requires that all appropriations in part 1 from the AEIDF be spent for equine-related purposes.

Sec. 802. Agriculture Equine Fund Reduction – RETAINED

Requires that department make proportionate reductions in AEIDF appropriations, except for the racing commission and laboratory analysis, if AEIDF revenue falls below original appropriation amounts.

Sec. 803. Thoroughbred/Standardbred Program Escrow – RETAINED

Provides for "escrowing" program funds.

Sec. 804. Michigan Gaming Control Board – RETAINED

Requires MGCB to use actual expenditure data in determining regulatory costs.

Sec. 805. County Fair Capital Grant Program – RETAINED

Provides for matching program for county fair capital grants appropriated in part 1.

Sec. 806. Shows and Expositions Grants – DELETED

Established conditions for grant program that is not included in proposed budget.

Sec. 1101. Food and Agriculture Industry Value-Added Grant Program – DELETED

Deletes language that provided criteria for One-time grant program; this program is not included in FY 2015-16 proposed budget.