

**Summary: Executive Budget Recommendation
for Fiscal Years 2015-16 and 2016-17
AGRICULTURE AND RURAL DEVELOPMENT**



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	FY 2014-15 Year-to-Date as of 2/11/15	Proposed FY 2014-15 Adjustments	Adjusted FY 2014-15 Year-to-Date	FY 2015-16 Executive Recommendation	Change: FY 2015-16 vs. FY 2014-15 Adjusted	
					Amount	%
IDG/IDT	\$318,100	\$0	\$318,100	\$317,300	(\$800)	(0.3)
Federal	10,126,200	0	10,126,200	10,427,900	301,700	3.0
Local	0	0	0	0	0	--
Private	98,300	0	98,300	128,100	29,800	30.3
Restricted	28,003,400	0	28,003,400	30,897,100	2,893,700	10.3
GF/GP	45,916,200	(600,000)	45,316,200	42,373,600	(2,942,600)	(6.5)
Gross	\$84,462,200	(\$600,000)	\$83,862,200	\$84,144,000	\$281,800	0.3
FTEs	452.0	0.0	452.0	460.0	8.0	1.8

Notes: (1) FY 2014-15 adjusted year-to-date figures include mid-year budget adjustments through February 11, 2015. (2) Proposed FY 2014-15 adjustments include Executive Order 2015-5 and House Bill 4112. (3) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

Overview

The 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 Adjusted FY 2014-15 Appropriations

1. Operational Services

This line item funds department business and administrative support functions. The proposed budget recognizes \$673,700 in additional restricted funds to properly align fund sources with projected expenditures. The increase does not reflect a projected increase in baseline service activity or costs for this line item. In prior years, Operations Services costs have been charged back to other program areas.

FTE	15.0	0.0
Gross	\$1,065,700	\$673,700
Restricted	58,700	673,700
GF/GP	\$1,007,000	\$0

2. Information Technology

Reflects elimination of Agriculture Equine Industry Development Fund (AEIDF) revenue in this line item.

Gross	\$1,460,000	(\$84,800)
IDG	3,200	0
Restricted	149,400	(84,800)
GF/GP	\$1,307,400	\$0

3. Food Safety and Quality Assurance

The Governor has requested an increase in food licensing and inspection fees established under the Food Law of 2000. These fees are used to support department's food safety programs. Budget recognizes \$1.5 million related to the proposed fee increases and 8.0 additional FTE positions. The line item also reflects the redirection of \$347,100 in Dairy and Food Safety 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).

FTE	83.0	8.0
Gross	\$12,378,200	\$1,198,600
Federal	1,255,000	0
Restricted	3,432,000	1,198,600
GF/GP	\$7,691,200	\$0

4. Milk Safety and Quality Assurance

Reflects the redirection of \$37,900 in Dairy and Food Safety Fund revenue to Operational Services, described above.

FTE	30.0	0.0
Gross	\$4,219,200	(\$37,900)
Federal	55,000	0
Restricted	253,200	(37,900)
GF/GP	\$3,911,000	\$0

Major Budget Changes From Adjusted FY 2014-15 Appropriations		FY 2014-15 Adjusted Year-to-Date	FY 2015-16 Executive Change
5. Animal Industry - Disease Prevention and Response			
Reflects the redirection of \$11,000 in Licensing and Inspection Fee revenue to Operational Services, described above, and \$69,400 increased restricted and federal revenue to better align budget to actual anticipated revenue.	FTE	60.0	0.0
	Gross	\$8,836,600	\$58,400
	Federal	565,400	19,800
	Restricted	257,800	38,600
	GF/GP	\$8,013,400	\$0
6. Pesticide and Plant Pest Management (PPPM)			
The Governor has requested increases in pesticide, fertilizer, and feed licensing and regulatory fees used to support department's PPPM programs. Budget recognizes \$1.2 million related to the 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. The reduction of one FTE is a technical adjustment to the budget.	FTE	81.0	(1.0)
	Gross	\$12,181,800	\$1,123,400
	Federal	1,901,100	0
	Private	20,700	0
	Restricted	4,666,200	1,123,400
	GF/GP	\$5,593,800	\$0
7. Producer Security/Grain Dealer Program			
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).	FTE	5.0	0.0
	Gross	\$646,700	(\$1,800)
	Restricted	629,200	(1,800)
	GF/GP	\$17,500	\$0
8. MAEAP/Environmental Stewardship/Local Conservation Districts			
Budget would roll 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 FY 2014-15 Adjusted 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. Budget recognizes a \$300,000 EPA grant related to Western Lake Erie Basin projects, and a \$140,000 grant from Bayer CorpScience LP.	FTE	23.0	0.0
	Gross	\$7,704,000	\$440,000
	Federal	1,343,200	300,000
	Restricted	5,013,000	140,000
	GF/GP	\$1,347,800	\$0
9. Migrant Labor Housing			
The line item reflects the redirection of \$26,200 in Migratory Labor Housing Fund revenue to Operational Services, described above; Migrant Labor Housing Revenue comes from an inspection fee established in 2010 PA 13 and 2010 PA 14.	FTE	9.0	0.0
	Gross	\$1,214,300	(\$26,200)
	Restricted	164,600	(26,200)
	GF/GP	\$1,049,700	\$0
10. Qualified Forest Program			
Budget anticipates \$100,000 in additional restricted revenue from the Private Forestland Development Fund, which allows for a \$100,000 reduction in GF/GP support.	FTE	9.0	0.0
	Gross	\$2,535,000	\$0
	Private	35,000	100,000
	GF/GP	\$2,500,000	(\$100,000)
11. Commercial Forestry Audit Program			
Eliminates funding for the commercial forestry audit program, and related boilerplate Sec. 609, which provided for a commercial forestry audit.	Gross	\$150,000	(\$150,000)
	GF/GP	\$150,000	(\$150,000)
12. Laboratory Services			
Reflects the redirection of \$74,200 in restricted Licensing and Inspection Fee revenue to Operational Services, described above. The increase in FTE positions is a technical correction.	FTE	36.0	1.0
	Gross	\$5,409,200	(\$74,200)
	IDG	213,500	0
	Federal	782,900	0
	Restricted	2,203,000	(74,200)
	GF/GP	\$2,209,800	\$0
13. Grape and Wine Program			
Recognizes additional \$30,000 in restricted revenue (non-retail liquor fees) to better reflect actual anticipated revenue.	FTE	3.0	0.0
	Gross	\$828,500	\$30,000
	Restricted	828,500	30,000
14. Strategic Growth Initiative			
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, \$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.	Gross	\$2,050,000	(\$950,000)
	GF/GP	\$2,050,000	(\$950,000)

Major Budget Changes From Adjusted FY 2014-15 Appropriations		FY 2014-15 Adjusted Year-to-Date	FY 2015-16 Executive Change
15. Horse Racing Programs	FTE	3.0	(2.0)
Budget reduces AEIDF funding and two FTE positions for fairs and racing administration functions. Budget retains current year funding levels for horse racing awards and purse supplements.	Gross	\$3,167,300	(\$100,000)
	Restricted	3,167,300	(100,000)
16. County Fairs Capital Improvement Grants	Gross	\$320,000	(\$150,000)
Reduces funding for county fairs capital improvement grants program to \$170,000.	GF/GP	\$320,000	\$150,000
17. Shows and Expositions	Gross	\$50,000	(\$50,000)
Budget would eliminate shows and expositions grant program.	GF/GP	\$50,000	(\$50,000)
18. Food and Agriculture Industry Strategic Growth Initiative (One-Time)	Gross	\$1,400,000	(\$1,400,000)
Governor eliminates one-time GF/GP competitive grant program. The original appropriation was \$2.0 million; reduced by \$600,000 after Executive Order 2015-5.	GF/GP	\$1,400,000	(\$1,400,000)
19. Muskegon Farmers Market (One-Time)	Gross	\$200,000	(\$200,000)
Governor eliminates one-time GF/GP grant authorization.	GF/GP	\$200,000	(\$200,000)
20. Ottawa County Agriculture Incubator (One-Time)	Gross	\$500,000	(\$500,000)
Governor eliminates one-time GF/GP authorization for a grant award.	GF/GP	\$500,000	(\$500,000)
21. One Item Capital Equipment for Geagley Laboratory – NEW	Gross	\$0	\$500,000
Budget includes one-time funding for laboratory testing equipment.	GF/GP	\$0	\$500,000
22. Economic Adjustments	Gross	NA	(\$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.	IDG	NA	(800)
	Federal	NA	(18,100)
	Private	NA	(200)
	Restricted	NA	(55,700)
	GF/GP	NA	(\$92,600)

Major Boilerplate Changes From FY 2014-15

Executive Boilerplate Deletions

In general, the Executive Budget Recommendation deletes a large majority of boilerplate language included in the FY 2014-15 budget. This includes many legislative reporting requirements, sections providing guidance and placing conditions on appropriations, and earmarks of funding for specific purposes. The list below includes major changes to boilerplate, but is not a comprehensive list of all sections proposed to be deleted. For the Department of Agriculture and Rural Development, the Executive deletes 23 of 45 boilerplate sections.

Sec. 205. Report on Specific Performance Benchmarks – DELETED

Requires the department to identify specific performance benchmarks for new programs or program expansions in excess of \$500,000.

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 – REVISED

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.

Sec. 451. Bovine TB Whole-Herd Testing – DELETED

Deletes current requirement that the department pay for the costs of whole-herd testing and individual animal testing in the Modified Accredited Zone, including indemnity and compensation for animal injury.

Sec. 453. Indemnification Payments – DELETED

Deletes current section that authorizes the department to provide for indemnity pursuant to Animal Industry Act; limits indemnification orders to \$100,000 per order; and requires report on reason for, amount of, and person to whom indemnification is to be paid. Subsection (2) currently authorizes the department to indemnify for livestock killed by wolves, coyotes, or cougars. Subsection (3) currently indicates that the appropriation in Part 1 for indemnification is for indemnification under Subsection (2) and related department costs; requires a report, due March 1.

Major Boilerplate Changes From FY 2014-15

Sec. 456. *Electronic Animal Identification* – DELETED

Current year language prohibits the use of appropriated funds to enforce electronic ID programs for domestic animals.

Sec. 457. *Bovine TB Quarterly Report* – DELETED

Deletes current reporting requirement.

Sec. 458. *Aquaculture* – DELETED

Deletes current language that directs the department to provide inspection and testing of aquaculture facilities and researchers.

Sec. 459. *Bovine TB Testing, Legislative Intent* – DELETED

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. *MAEAP/Environmental Stewardship* – REVISED

Clarifies intent that line item funding 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. 605. *MAEAP Restrictions* – DELETED

Deletes current language that 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. 609. *Commercial Forestry Audit Program* – DELETED

Deletes current language that describes Legislative intent with respect to the program.

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.

Sec. 706. *Agriculture Development/Export Market Development Report* – DELETED

Deletes current reporting requirement.

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

Deletes current reporting requirement.

Sec. 711. *Food and Agriculture Industry Growth initiative Grant Program* – REVISED

Revises current language that provided guidance for the program to reference new Strategic Growth Initiative grant program.

Sec. 803. *Thoroughbred Program Escrow* – DELETED

Deletes current language that required "escrowing" of funds for thoroughbred program if there is no live thoroughbred race meet in 2014 or 2015.

Sec. 804. *Michigan Gaming Control Board* – DELETED

Deletes section that requires the Michigan Gaming Control Board to use actual expenditure data in determining regulatory costs of conducting racing dates.

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.