

Senate Fiscal Agency  
P. O. Box 30036  
Lansing, Michigan 48909-7536



Telephone: (517) 373-5383  
Fax: (517) 373-1986  
TDD: (517) 373-0543

Senate Bill 643 (as reported without amendment)  
Sponsor: Senator Walter H. North  
Committee: Farming, Agribusiness and Food Systems

Date Completed: 10-23-01

### **RATIONALE**

Bovine tuberculosis is a contagious bacterial infection that can be passed through the air, through food, or through breaks in the skin. Because of its highly infectious and dangerous nature, cattle testing positive for bovine TB must be eradicated. The Michigan Department of Agriculture reimburses farmers for the value of their eradicated cattle. Because the current indemnity rate is 100%, and the indemnity rate between January 27, 1999, and October 31, 2000, was 90%, some people believe that it would be fair and equitable to reimburse farmers for the difference between the two rates.

### **CONTENT**

The bill would amend the Animal Industry Act to require the Department of Agriculture to reimburse certain farmers for the difference between current and past indemnity rates. Under current law, effective October 31, 2000, the Department reimburses farmers for 100% of the fair market value (not to exceed \$4,000), per animal destroyed for purposes of preventing the spread of disease. Between January 27, 1999, and October 31, 2000, the law required the Department to reimburse farmers at 90% of the fair market value of the animal(s) destroyed, with a cap of \$3,000. The bill would allow farmers who received indemnity for animals on or after January 27, 1999, but before October 31, 2000, to apply for the difference between past and current levels of reimbursement. The farmer would have to present to the Department Director acceptable evidence of the animal's fair market value at the time of its appraisal.

MCL 287.714

### **BACKGROUND**

#### **Bovine TB**

Bovine tuberculosis (TB) is one of three main types of tuberculosis that is caused when bacteria attack the respiratory system. Considered to be the most infectious of the three types, bovine TB is capable of infecting most mammals. Typically found in cattle, bovine TB has spread to Michigan's deer population in recent years. Prior to 1994, only eight wild white-tailed or mule deer had been reported with bovine TB in North America. In 1994, however, a hunter in southwestern Alpena County shot a four-year-old male white-tailed deer infected with bovine TB.

To assess the extent of the bovine TB infection in the deer population from the area where the infected deer was taken in 1994, more than 17,700 deer from Alpena, Montmorency, Oscoda, Alcona, Presque Isle, and Otsego Counties were examined from the fall of 1995 to the summer of 1999, according to the Department of Natural Resources, with 228 deer testing positive for bovine TB. In addition, the bovine TB outbreak was found to have spread from wild deer to domestic cattle in the northeastern Lower Peninsula.

At the end of the 1998-99 fiscal year, the U.S. Department of Agriculture designated Michigan as having an "Accredited Free-Suspended" status because of the discovery of two infected beef herds. Under new USDA rules governing state bovine TB status, Michigan's status was changed to "Modified-Accredited" to reflect the presence of the disease in livestock. In order to regain its "Accredited Free" status, the State must have 0% TB prevalence in cattle, bison, and goat herds and no TB in the past three years

from the time the last infected herd was depopulated or from the time of surveillance indicating no risk of TB spreading.

### Indemnification

In recent years, amendments to the Animal Industry Act revised the level of indemnification for livestock destroyed due to disease or contamination. Before the enactment of Public Act 552 of 1998, indemnification was based on 75% of an animal's fair market value, subject to a maximum of \$1,250 per animal. Public Act 552 provided that, until January 1, 2005, regarding any quarantine issued on animals or premises after January 1, 1998, indemnification was to be based on 90% of the fair market value, subject to a cap of \$3,000 per animal. After January 1, 2005, the percentage was to revert to 75% and the maximum to \$1,250. Public Act 552 took effect on January 27, 1999.

Public Act 323 of 2000 then deleted the provisions calling for a reversion to 75% and \$1,250 in 2005. Public Act 323 increased the percentage to 100% and raised the per-animal cap to \$4,000. Public Act 323 took effect on October 31, 2000.

### ARGUMENTS

*(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)*

#### Supporting Argument

Since 1989, cattle indemnification rates have risen from 75% to 90% to 100%. Because the time frame during which the rate was 90% is relatively narrow--just 21 months--rectifying the 10% difference would not place an undue burden on the State. Furthermore, it would be only fair and equitable to pay farmers for 100% of the value of cattle lost to disease. Current law recognizes this, so it seems right to remedy rates set by past law.

#### Opposing Argument

There is some question as to whether this bill is needed, since the Department of Agriculture's appropriation Act for fiscal year 2001-02 provides that all indemnification payments must be based on 100% of the fair market value of the type of livestock, not to exceed \$4,000. Section 212 of Public Act 53

of 2000 also states that, for payments made between January 1, 1998, and October 31, 2000, the Department is required to calculate the difference between what was paid for every herd, flock, or school and the rate paid after October 31, 2000.

**Response:** Unlike the appropriations Act, which applies only to one fiscal year, the bill would mandate these payments in statute. The bill also would ensure that the Animal Industry Act reflected the same level of payments provided for in the appropriations Act.

Legislative Analyst: C. Layman

### FISCAL IMPACT

The bill would result in an increase in State costs of approximately \$90,000 resulting from the change in the indemnification amounts to be paid under the Act for certain animals. Indemnification costs associated with bovine tuberculosis (TB), or other diseases, would be paid from existing appropriations. The fiscal year 1999-2000 budget contained \$14,500,000 General Fund/General Purpose for the bovine TB program. There is approximately \$6,664,000 remaining in the account that would cover the additional \$90,000 in State costs. Any additional indemnification payments for other animal diseases would have to come from existing Departmental resources. Boilerplate language in the fiscal year 2001-02 budget contains a provision requiring the Department to make additional indemnification payments for previous payments made from January 1, 1998, through October 31, 2000, based on the indemnification rate paid after October 31, 2000.

Fiscal Analyst: C. Thiel

#### AO102/s643a

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.