

**Summary: Senate Passed
AGRICULTURE
FY 2004-05 House Bill 5509, S-1**



Analyst: Kirk Lindquist

	FY 2003-04 YTD (as of 2/12/04)	Executive	House	Senate	Enacted	Difference: House and Senate Passed from FY 2003-04 YTD	
						Amount	%
IDG/IDT	\$10,758,600	\$10,831,700	\$10,831,700	\$10,831,700		\$73,100	0.7
Federal	14,401,700	33,406,200	33,406,200	33,406,200		19,004,500	132.0
Local	0	0	0	0		0	0.0
Private	1,127,600	138,700	138,700	138,700		(988,900)	(87.7)
Restricted	39,931,900	40,755,500	40,070,800	40,070,700		(138,900)	(0.3)
GF/GP	30,259,200	31,509,400	31,509,400	31,509,400		1,250,200	4.1
Gross	\$96,479,000	\$116,641,500	\$115,956,800	\$115,956,700		\$19,477,800	20.2
FTEs	569.0	715.0	739.0	739.0		170.0	29.9

Overview

The Department of Agriculture promotes Michigan agricultural products and protects the public from disease and unsanitary conditions in food production and handling. It regulates product labeling and producer practices for dairy products, animals, and plants, as well as enforcing consumer protection laws in food, standard weights/measures, animal health, plant pests, and diseases.

Summary of FY 2004-05 Major Budget Issues

Animal Health and Plant Pest Eradication

The Emerald Ash Borer grant from the Federal government would be increased by \$17.7 million to \$25.2 million. These funds would be used for continued monitoring and marking efforts in areas of the state affected by this infestation. Federal support for the Bovine TB and Johne's Disease programs would be increased by \$706,000.

Horse Race Revenue

Agriculture Equine Industry Development Fund support for local racing programs would be decreased by 14.4%, or by about \$1.3 million. This reduction would be possible because of funding shifts in departmental programs to State Services Fee revenue.

Gas Pump Inspections

Gas tax revenue, previously earmarked for bond debt service, would be provided for gas pump inspectors: 33 positions and \$3,000,000.

**Major Budget Changes from
FY 2003-04 YTD Appropriations:**

		FY 2003-04 YTD (as of 2/12/04)	House Passed	Senate Passed
1. Emerald Ash Borer Program Includes federal funding for the third year of this program. Funds are provided for eradication efforts in affected areas of southeast Michigan and other threatened areas in the lower peninsula. No state revenue match is required for this program. Executive: \$17,750,000	FTEs	0.0	155.0	155.0
	Gross	\$7,250,000	\$17,750,000	\$17,750,000
	Federal	7,250,000	17,750,000	17,750,000
2. Michigan State Fair Funds would be transferred to the Department of Management and Budget, if an executive order is issued during FY 2003-04, moving the program from the Department of Agriculture. Executive: \$0	FTEs	10.0	(10.0)	(10.0)
	Gross	\$5,486,100	(\$5,486,000)	(\$5,485,900)
	Restricted	5,486,100	(5,486,000)	(5,485,900)
3. Gas Pump Inspection Program Includes 7/8 cent gas tax surcharge revenue to support an expanded gas pump inspection program. Executive: \$0	FTEs	0.0	34.0	34.0
	Gross	\$0	\$3,000,000	\$3,000,000
	Restricted	0	3,000,000	3,000,000
4. Agriculture Equine Development Fund Revenue Redistribution Due to continued decline in horse race revenue, Agriculture Equine Industry Development Fund support for local racing programs would be reduced. The \$2,025,000 fund transfer to the General Fund is maintained in FY 2004-05. House substituted State Services Fee revenue in the Laboratory and Office of Racing Commissioner: \$2,788,800, and increased fair and industry support line items by \$1.0 million. Executive: (\$1,117,000)	Gross	\$12,467,000	\$1,000,000	\$1,000,000
	Restricted	12,467,000	1,000,000	1,000,000
5. Federal Grant Increases: Johne's Disease and Bovine TB Increased Animal Health and Welfare program by \$356,000 to allow the State to receive and spend additional federal funding for Johne's Disease eradication efforts in sheep and cattle, and slaughter house inspections. An additional \$350,000 is provided for continuing efforts to protect livestock threatened by Bovine TB. Executive: \$706,000	Gross	\$6,246,600	\$706,000	\$706,000
	Federal	159,000	706,000	706,000
	Restricted	407,200	0	0
	GF/GP	\$5,839,400	\$0	\$0
6. Agriculture Laboratory: Oil and Gas Revenue Added Gasoline Testing and Inspection Fund, \$385,000, along with Oil and Gas Regulatory Fund revenue from the Department of Environmental Quality, \$462,200, is provided for the service station inspection program. The State will not receive Private Oil and Gas Settlement Revenue in FY 2004-05. Executive: (\$162,600)	Gross	\$0	(\$624,800)	(\$624,800)
	Private	997,600	(997,600)	(997,600)
	Restricted	0	372,800	372,800

<u>Major Budget Changes from FY 2003-04 YTD Appropriations:</u>		FY 2003-04 YTD (as of 2/12/04)	House Passed	Senate Passed
7. Plum Pox Inspections and Project GREEN		Gross \$12,107,800	\$300,000	\$300,000
Inspection fee revenue (Industry Support Funds) is provided for the Plum Pox Inspection program, and \$90,000 is to be provided to Michigan State University – Project GREEN. Executive: \$300,000	Federal	3,374,400	0	0
	Private	130,000	0	0
	Restricted	3,841,300	300,000	300,000
	GF/GP	\$4,762,100	\$0	\$0
8. Marketing Programs		Gross \$2,441,700	(\$50,000)	(\$50,000)
Eliminated marketing programs in Agricultural Development, Marketing and Emergency Management. Responsibility for new market identification and development would be assumed by the Department of Labor and Economic Growth. Executive: (\$200,000)	IDG	500,000	0	0
	Federal	100,000	0	0
	Restricted	845,400	0	0
	GF/GP	\$946,300	(\$50,000)	(\$50,000)
9. Commodity Inspection Fees		Gross \$991,500	(\$291,500)	(\$291,500)
Inspection fee revenue is expected to fall off in FY 2004-05 due to a reduction in the workload and complexity of onsite inspections.	Restricted	991,500	(291,500)	(291,500)
10. Economic Adjustments and Employee Related Savings		Gross \$3,213,300	\$3,213,300	\$3,213,300
Increased each line item supporting pay roll expenses to cover the cost of scheduled pay increases and fringe benefit costs (\$5,004,800). Employee salaries are to increase by 7% and health insurance premiums are to increase by 13.6%. The contribution rates for the defined benefit and defined contribution retirement programs are increasing as well, reflecting the system costs related to the recent early retirement program.	IDG	73,100	73,100	73,100
	Federal	548,500	548,500	548,500
	Private	8,700	8,700	8,700
	Restricted	1,104,500	1,104,500	1,104,500
	GF/GP	\$1,478,500	\$1,478,500	\$1,478,500

Workforce related savings (\$1,791,500) are recommended to offset the cost of included economic adjustments. These savings (amounting to 5% of payroll) are to be achieved through contract concessions.

Major Boilerplate Changes from FY 2003-04:

Sec. 205. State-wide Hiring Freeze – DELETED

Sec. 224. Agriculture Enhancement Fund Allocations– REVISED

A new \$1.0 million allocation to county fairs is provided. Not included in the Senate Substitute.

Sec. 225. “Contingency Fund Transfer” Language: Federal, Restricted, Local and Private – NEW

This is the same language included in earlier budget acts. Spending authorization may be increased through the legislative transfer process. Not included in the Senate Substitute.

Sec. 601. Energy Conservation Program Grants– DELETED

A distribution formula is required.

Sec. 605. Aquifer Dispute Resolution Funds: Legislative Intent – DELETED

Designates \$100,000 for aquifer dispute resolution activities.

Major Boilerplate Changes from FY 2003-04:

Sec. 810. State Fair Operations Spending: Limited to Level of Appropriation– DELETED

Total spending in FY 2003-04 shall not exceed the appropriation level authorized in this act.