

AGRICULTURE

Executive Recommendation

FY 2010-11

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February 18, 2010

	FY 2009-10 YTD as of 2/12/10	FY 2009-10 Executive	FY 2009-10 House	FY 2009-10 Senate	FY 2009-10 Enacted	Difference: Executive From FY 2009-10 YTD	
						Amount	%
IDG/IDT	\$712,300	\$289,100				(423,200)	(59.4%)
Federal	15,553,400	14,769,900				(783,500)	(5.0)
ARRA	22,300					(22,300)	
Non-ARRA	15,531,100	14,769,900				(761,200)	(4.9)
Local							
Private	243,200	260,100				16,900	6.9%
Restricted	33,809,600	33,530,000				(279,600)	(0.8)
GF/GP	30,050,500	28,828,700				(1,221,800)	(4.1%)
Gross	\$80,369,000	\$77,677,800				(\$2,691,200)	(3.3)%
FTEs	573.0	459.9				(113.1)	(19.7)

Notes: (1) FY 2009-10 appropriation figures do not reflect the impact of executive order, supplemental, or transfer adjustments made after the release of the FY 2009-10 Executive Budget on February 12. (2) "ARRA" represents temporary funds received under federal American Recovery and Reinvestment Act.

Overview

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

Summary of Major Budget Issues

The Executive Budget proposed the following changes from current year:

Environmental Stewardship

Would shift authority for the Michigan Agriculture Environmental Assurance Program (MAEAP) from department to Michigan State University's Agriculture Experiment Station, with associated reduction of \$586,400 GF/GP and 5.0 FTE positions. There is no corresponding budgetary increase for MSU in the Higher Education budget. This shift would require the amendment of Section 8707 of the Michigan Natural Resources and Environmental Protection Act which currently gives the department primary authority over the program.

Reduces department support for Right to Farm program by \$150,000 GF/GP and 1.0 FTE position.

Offsets \$537,900 reduction in GF/GP support for the migrant labor housing program with a proposed \$30 per worker inspection fee. Note that the current year budget recognizes a new \$5 per worker fee, but bills to establish the new fee have not yet been enacted.

Pesticide and Plant Pest Management (PPPM)

Reduces GF/GP support for Plant Health and Export Certification program by \$379,400 and 4.0 FTE positions.

Food and Dairy

Offsets \$500,000 reduction in GF/GP support for the dairy inspection program with a proposed increase in inspection fees. Note that the current year budget recognizes \$100,000 from increased fees but bills to establish the new fee have not yet been enacted. The new fee would be based on a rate of one-cent per hundred weight of milk sold.

Office of Racing Commissioner

The Office of Racing Commissioner was transferred to the Michigan Gaming Control Board effective January 17, 2010 through Executive Order 2009-45. This transfer is reflected in the proposed budget by the transfer of the associated 10.0 FTE positions, and \$1.9 million in Agriculture Equine Industry Development Fund

Horse Racing Programs

Includes \$5.1 million from the restricted Agriculture Equine Industry Development Fund for horse programs (primarily for horse race awards, purses and supplements). The appropriation is approximately equal to the current year. However, the appropriation for horse programs had averaged \$10.7 million from FY 1997-98 through FY 2007-08.

FTE Reduction

The proposed budget brings authorized FTE positions more in line with actual funding.

Economics

Increases related to economics total \$3.3 million gross, of which \$1.2 million represents GF/GP funding.

<u>Major Budget Changes From FY 2009-10 YTD Appropriations</u>		<u>FY 2009-10 YTD (as of 2/12/10)</u>	<u>Executive Change From YTD</u>
1. Commissions and Boards	Gross	\$23,800	\$0
No change from current year.	Restricted	8,800	0
	GF/GP	\$15,000	\$0
2. Unclassified Positions	FTEs	2.0	0.0
No change from current year.	Gross	\$213,000	\$0
	GF/GP	\$213,000	\$0
3. Executive Direction	FTEs	10.0	(2.0)
Reduces FTE count to better align with actual. Increase reflects economic factors.	Gross	\$973,800	\$52,000
	Restricted	36,500	1,900
	GF/GP	\$937,300	\$50,100
4. Management Services	FTEs	24.0	(12.0)
Increase of \$54,000 reflects economic factors. Offset by shift of 8.0 FTEs and \$878,300 GF/GP to MDOT as part of accounting function consolidation (see item 8 below), additional 4.0 reduction in FTE count to better align with actual.	Gross	\$1,840,900	(\$824,300)
	Restricted	121,000	6,900
	GF/GP	\$1,719,900	(\$831,200)
5. Statistical Reporting Service	FTEs	1.0	0.0
Increase reflects economic factors.	Gross	\$145,000	\$5,300
	Restricted	79,700	2,900
	GF/GP	\$65,300	\$2,400
6. Emergency Management	FTEs	6.5	(0.5)
Increase reflects economic factors. Reduces FTE count to better align with actual.	Gross	\$747,100	\$12,300
	Federal	500,000	12,300
	Restricted	0	0
	GF/GP	\$247,100	\$0
7. Producer Security/Grain Dealer Licensing	FTEs	5.0	(5.0)
Function transferred to Pesticide and Plant Pest Management Division (see below).	Gross	\$238,500	(\$238,500)
	Restricted	238,500	(238,500)
	GF/GP	\$0	\$0
8. Accounting Service Center	Gross	\$0	\$878,300
Reflects consolidation and transfer of accounting functions and related FTEs and funding to the Michigan Department of Transportation.	GF/GP	\$0	\$878,300
9. Departmentwide – Rent and Building Occupancy	Gross	\$421,100	\$621,100
Recommends \$1,042,200 which better reflects actual department building occupancy costs, however without GF/GP appropriated revenue may not be supported by actual revenue.	Federal	153,400	311,000
	Restricted	267,700	310,100
	GF/GP	\$0	\$0

Major Budget Changes From FY 2009-10 YTD Appropriations	FY 2009-10 YTD (as of 2/12/10)	Executive Change From YTD
10. Food and Dairy – Food Safety and Quality Assurance	FTEs 115.0	(8.0)
Executive proposes to offset a \$500,000 reduction in GF/GP support with restricted revenue from a proposed alternative milk inspection fee. The current year budget recognizes \$100,000 in new milk inspection fee revenue, however a bill to effect this increase has not yet been enacted.	Gross \$12,539,700	\$620,300
	Federal 470,500	23,200
	Restricted 3,139,100	655,500
	GF/GP \$8,930,100	(\$58,400)

The proposed budget also reflects economic factors of \$620,200 gross, \$441,600 GF/GP, and reduces FTE count to better align with actual.

Line item represents the largest share of GF/GP funding in this budget

11. Animal Industry – Animal Health and Welfare	FTEs 21.5	(9.1)
Proposed budget reflects the elimination of \$259,400 in baseline GF/GP support, and elimination of 2.1 FTE positions. In some cases, the budget would eliminate program, in other cases the program would be maintained with only restricted fund support. Specific program reductions are as follows:	Gross \$2,290,800	(\$263,700)
	IDG 75,000	(75,000)
	Federal 470,100	15,100
	Restricted 246,000	7,800
	GF/GP \$1,499,700	(\$211,600)

Animal Control Shelter program (\$150,000)
Animal Protection Shelters (\$70,400)
Aquaculture licensing program (\$20,000)
Bodies of Dead Animals program (\$750)
Livestock Marketing (\$2,200)
Animal Shelters program (\$8,000)
Animal Welfare program (\$8,000) *

Budget also eliminates \$75,000 IDG related to Cervid fees; no actual revenue is available to support this IDG.

Proposed budget also reflects economic factors of \$70,100 gross, \$47,800 GF/GP, and transfer of 7.0 FTE positions to Bovine TB line to better align with actual program funding.

** The Executive budget appears to make a \$8,000 GF/GP reduction related to department activities under 117 PA 2009 relating to animal welfare, however, no funds are currently provided for those activities under the current year budget.*

12. Animal Industry – Bovine Tuberculosis	FTEs 48.5	7.0
Offsets reductions in restricted AEIDF and SSFF support with increased GF/GP. The \$6.6 million GF/GP appropriation is the second largest use of GF/GP within this budget. State Budget Office had identified economic increases related to the two Animal Industry line items to be \$331,700 Gross, \$294,500 GF/GP.	Gross \$7,338,300	\$233,400
	Federal 781,100	24,900
	GF/GP \$6,557,200	\$208,500

<u>Major Budget Changes From FY 2009-10 YTD Appropriations</u>		<u>FY 2009-10 YTD (as of 2/12/10)</u>	<u>Executive Change From YTD</u>
13. Pesticide and Plant Pest Management – PPPM	FTEs	110.0	(16.0)
Reflects economic adjustments of \$500,900 gross, \$194,300 GF/GP. Reduces FTE count by 12.0 to better align with actual.	Gross	\$11,929,300	(\$562,500)
	Federal	2,549,600	(530,100)
	Private	152,600	13,800
Reduces GF/GP support for Plant Health and Export program by \$379,400 and eliminates 4.0 FTE positions. This represents a 22% reduction in GF/GP support for this program.	Restricted	5,211,800	138,900
	GF/GP	\$4,015,300	(\$185,100)
Proposed GF/GP funding in this line would be \$3.8 million in the Executive budget; it had been \$6.6 million in FY 2000-01.			
The budget retains \$200,000 in pesticide license fee revenue in the base. This revenue replaced GF/GP in the FY 2008-09 budget, in anticipated the passage of 2008 PA 18.			
14. Emerald Ash Borer Program	FTEs	24.5	(14.5)
Proposed appropriation of \$2.1 million reflects continuing reduction in federal support for this program; appropriation had been as much as \$25.0 million in FYs 2003-04 and 2004-05.	Gross	\$3,034,200	(\$895,700)
	Federal	3,034,200	(895,700)
15. Producer Security/Grain Dealer Licensing – PPPM	FTEs	0.0	4.0
In the current year budget this line item is in the Executive direction appropriations; reflects transfer to PPPM and economic increase.	Gross	\$0	\$252,600
	Restricted	0	252,600
	GF/GP	\$0	\$0
16. Environmental Stewardship	FTEs	27.0	(19.0)
Budget would shift authority for the Michigan Agriculture Environmental Assurance Program (MAEAP) from department to Michigan State University's Agriculture Experiment Station, with associated reduction of \$586,400 GF/GP and 5.0 FTE positions. There is no corresponding budgetary increase for MSU in the Higher Education budget. This shift would require the amendment of Section 8707 of the Michigan Natural Resources and Environmental Protection Act which currently gives the department primary authority over the program.	Gross	\$2,582,500	(\$1,672,400)
	IDG	445,400	(348,200)
	Federal	39,500	2,200
	Restricted	160,400	(107,700)
	GF/GP	\$1,937,200	(\$1,218,600)
Reduces department support for Right to Farm program by \$150,000 GF/GP and 1.0 FTE position.			
Shifts Migrant inspection housing program to separate line item, resulting in a reduction of \$537,900 GP/GP in this line and the shift of \$110,000 in migrant labor housing inspection fees to the new line.			
Eliminates \$351,600 IDG from MDEQ related for MAEAP program; the IDG is not supported by actual revenue.			
Proposed budget also reflects economic factors of \$63,500 gross, \$55,600 GF/GP, and elimination of 5.0 FTE positions to better align with actual program funding.			
Proposed budget would appropriate \$718,600 GF/GP – GF/GP funding for this program had been \$2.7 million in FY 2000-01.			
17. Groundwater/Freshwater Protection Program	FTEs	15.0	0.0
Reflects economic increase of \$99,000. Federal funding from EPA grants; restricted revenue from Freshwater protection fund.	Gross	\$5,255,100	\$99,000
	Federal	215,500	99,000
	Restricted	5,039,600	0

Major Budget Changes From FY 2009-10 YTD Appropriations		FY 2009-10 YTD (as of 2/12/10)	Executive Change From YTD
18. Farmland/Open Space Preservation	FTEs	9.0	0.0
Reduces funding from Freshwater Protection Fund by \$131,000 to better reflect actual revenue. State Budget Office spread economic increases of \$52,700 to Agriculture Preservation Fund.	Gross	\$1,006,900	(\$78,300)
	Restricted	1,006,900	(78,300)
19. Agriculture Pollution Prevention Program	Gross	\$1,000,100	\$0
No change from current year appropriation.	Federal	1,000,000	0
	Restricted	100	0
20. Migrant Labor Housing	FTEs	0.0	8.0
Consolidates inspection program (transferred from Environmental stewardship line) with grant program. The inspection program in Environmental stewardship had been funded with \$537,900 GF/GP and \$110,000 in restricted funding from a new \$5 per worker migrant labor housing inspection fee.	Gross	\$425,100	\$717,600
	Federal	400,000	63,900
	Restricted	25,000	653,800
	GF/GP	\$100	(\$100)
Executive budget would fund the regulatory program with a \$30 per worker inspection fee, estimated to generate \$647,900. Note that although the current year budget recognizes a new \$5 per worker fee, bills to establish the new fee have not yet been enacted.			
The budget also recognizes \$26,800 in economic increases.			
21. Laboratory Services	FTEs	63.0	(34.0)
Increase reflects economic factors. Reduces FTE count to better align with actual.	Gross	\$5,893,100	\$249,400
	IDG	189,100	0
	Federal	916,200	0
Executive budget would appropriate \$2.6 million GF/GP – GF/GP funding for this program had been \$4.0 million in FY 2000-01.	Restricted	2,330,600	145,400
	GF/GP	\$2,457,200	\$104,000
22. USDA Monitoring	FTEs	17.0	(4.0)
Reflects economic increase. Reduces FTE count to better align with actual.	Gross	\$2,171,700	\$87,300
	Federal	2,171,700	87,300
23. Consumer Protection Program	FTEs	51.0	0.0
Proposed increase reflects economic adjustments.	Gross	\$5,237,400	\$260,700
	Restricted	5,236,900	260,600
Line item supports motor fuel quality program, weights and measures, and metrology laboratory. Restricted revenue includes \$3.0 million from the Refined petroleum fund. The fee that supports the Refined petroleum fund is set to sunset on September 30, 2010. The budget assumes extending the sunset.	GF/GP	\$500	\$100
24. Agriculture Development	FTEs	6.0	(2.0)
Reflects economic increase of \$35,400. Reduces FTE count to better align with actual. Includes baseline GF/GP reduction of \$27,300.	Gross	\$2,177,000	\$8,100
	Private	10,900	200
	Federal	1,579,300	25,700
	Restricted	259,500	4,200
Executive budget would appropriate \$305,300 GF/GP – GF/GP funding had been \$915,000 FY 2000-01.	GF/GP	\$327,300	(\$22,000)
25. Grape and Wine Program	FTEs	3.0	0.0
Recognizes economic increase.	Gross	\$722,200	\$14,600
	Restricted	722,200	14,600
	GF/GP	\$0	\$0
26. Fairs and Racing	FTEs	4.0	0.0
Recognizes economic increase. The fund source for this line item is the Agriculture Equine Industry Development Fund (AEIDF).	Gross	\$496,500	\$29,400
	Restricted	496,500	29,400
	GF/GP	\$0	\$0

Major Budget Changes From FY 2009-10 YTD Appropriations

	FY 2009-10 YTD (as of 2/12/10)	Executive Change From YTD
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27. Horse Racing Programs

AEIDF funding for horse racing programs at current year levels.

	Current YTD
Purses & supplements-fairs/licensed tracks	\$1,019,100
Licensed tracks - light horse racing	56,800
Standardbred (SB) breeders' awards	416,700
SB purses/supplements-licensed tracks	769,400
SB sire stakes	348,300
SB training and stabling	15,500
Thoroughbred owners' awards	53,300
Thoroughbred program	1,032,000
Thoroughbred sire stakes	356,900
Distribution of outstanding winning tickets	500,000
Total	\$4,568,000

Gross	\$4,568,000	\$0
Restricted	4,568,000	0

28. Office of Racing Commissioner

Reflects the transfer of this office to the Michigan Gaming Control Board (MGCB). The related funding from the AEIDF was also transferred to the MGCB in the General Government budget.

FTEs	10.0	(10.0)
Gross	\$1,785,000	(\$1,785,000)
Restricted	1,785,000	(1,785,000)

29. Information Technology

Reflects transfer of Office of Racing Commission to the MGCB and related transfer of \$120,000 in associated AEIDF revenue. In addition, the budget recognizes \$82,800 in economic increases related to information technology.

Gross	\$1,540,300	(\$39,900)
IDG	2,800	0
Restricted	409,500	(101,700)
GF/GP	\$1,128,000	\$61,800

30. Capital Outlay - Farmland/Open Space Development Acquisition

Adjusts state restricted Agriculture Preservation Fund support to better align with available revenue.

Gross	\$3,750,000	(\$450,000)
Federal	1,250,000	0
Restricted	2,500,000	(450,000)

31. Economics

The State Budget Office had identified \$3.2 million for economic increases: \$857,200 for employee salary and wages; \$528,900 for insurances increases; \$1.2 million for retirement contributions; \$31,600 for workers compensation, and \$621,100 for building occupancy charges. The increase in building occupancy better reflects actual department building occupancy costs, which have been under appropriated. In addition, the budget recognizes \$82,800 in economic increases related to information technology.

Gross	N/A	\$3,241,300
IDG	N/A	3,400
Federal	N/A	917,000
Private	N/A	16,900
Restricted	N/A	1,147,200
GF/GP	N/A	\$1,156,800

Major Boilerplate Changes From FY 2009-10

The Executive budget eliminates a number of legislatively-initiated boilerplate restrictions and reporting requirements.