

Legislative Analysis



PLANT NURSERY INSPECTION FEES

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Senate Bill 946 (S-1)

Sponsor: Sen. Bruce Caswell

(Enacted as Public Act 106 of 2012)

Senate Committee: Appropriations

House Committee: Agriculture

Complete to 3-16-12

A SUMMARY OF SENATE BILL 946 AS REPORTED FROM HOUSE COMMITTEE

Senate Bill 946 would amend the Insect Pest and Plant Disease Act (1931 PA 189), the act which provides for the licensing and inspection of plant nurseries and others selling nursery stock. Under current law, the authority for the nursery licensing and inspection program rests with the Michigan Department of Agriculture and Rural Development (MDARD). The bill would amend the act as follows:

Definitions – the changes to Section 2 appear to be primarily technical and not substantive.

Nursery Inspections – Section 6 currently requires that MDARD inspect all nurseries in the state, and stored nursery stock, at least once a year to determine if nursery stock is infested with plant pests or infected with plant diseases. Senate Bill 946 would change the frequency of inspections to require that each nursery located in the state, and each nursery dealer located in the state that receives nursery stock from other states and countries, be inspected not less than every other year. The bill would retain the annual inspection requirement for nurseries that distribute nursery stock interstate.

Inspection Fees – Section 6 currently provides for the department director to charge an inspection fee based on the department's cost of making the inspection. Section 6 currently directs the department director to review and adjust inspection fees at the end of each fiscal year but limits the annual increase in inspection fees to no more than 50% of initial inspection fees.

Senate Bill 946 strike the current 50% limitation on increases to the *initial* inspection fees, and would instead would limit annual increases in inspection fees to the percentage change in the Detroit-Ann Arbor-Flint Consumer Price Index, not to exceed 5%.

Both current law and Senate Bill 946 require prior approval by the state Commission on Agriculture and Rural Development of proposed fee increases.

The department currently charges \$50 for the first acre, \$30 each additional acre, and \$55 hourly for inspections. These inspection fees currently generate approximately \$380,000 per year (FY 2008-09 to FY 2010-11 three-year average). In addition, the department receives approximately \$200,000 in inspection fee revenue from import/export

inspections). It is not clear if these fees currently cover the department's costs related to the nursery inspection program.

Nursery License Fees – In addition to the inspections provided under Section 6 of the act, Section 9 provides for the licensing of persons selling nursery stock and establishes various license fees. Some of those license fees are set to sunset or reduce on September 30, 2012. Senate Bill 946 would lift the sunset on some fees and would change the assessment or application of some licenses and related fees.

Senate Bill 946 would retain the current annual license fees of \$100 for nurseries; \$100 for plant growers and plant dealers; \$100 for nursery dealers, and \$40 for persons growing less than 1/4 acre of nursery stock or using less than 200 square feet of greenhouse space. These fees had been due to sunset or reduce after September 30, 2012.

As noted above, nursery dealers are currently required to obtain a license and pay a license fee of \$100. Under Senate Bill 946, nursery dealers who only purchased nursery stock grown in the state by a nursery grower in the state with a valid nursery license and certificate of inspection would not be required to obtain a separate license but would instead be required to *register* with the department director. The fee to *register* as a nursery dealer under provisions of the bill would be \$35 annually.

Horticulture Fund – Most licensing and inspection fee revenue under the act is credited to the Agriculture Licensing and Inspection Fee Fund, a state restricted fund created in Section 9 of the act. Fund revenue is appropriated in the MDARD budget to help support department functions under the act and other acts. However, Section 9 also created the Horticulture Fund and permits up to \$70,000 in license fee revenue to be deposited in the Horticulture Fund each year. This fund has been used to provide grants for plant research projects. Authority for this fund is due to sunset on September 30, 2012. Senate Bill 946 would lift the sunset.

FISCAL IMPLICATIONS:

As noted above, department nursery inspection fees currently generate approximately \$380,000 per year (FY 2008-09 to FY 2010-11 three-year average), as well as approximately \$200,000 each year in inspection fee revenue from import/export inspections. Nursery inspection fees were not going to sunset and Senate Bill 946 would not directly affect those inspection fees, other than to modify the process by which the department may increase those fees. The department estimates that inspection revenue from nursery dealers would increase to the extent that approximately half of nursery dealers import or export nursery stock out-of-state and would be subject to annual inspection.

Nursery license fee revenue currently generates approximately \$590,000 year (FY 2008-09 to FY 2010-11 three-year average). The department estimates the revenue loss if the fee sunsets and fee reductions were to go into effect to be \$250,000. In effect, by lifting

the fee sunsets and fee reductions, Senate Bill 946 prevents the loss to the department of \$250,000 in restricted fund revenue.

The bill will allow some nursery dealers, those who only purchase nursery stock grown in Michigan by a Michigan nursery grower with a valid nursery license and certificate of inspection, to *register* with the department and pay a \$35 registration fee rather than obtain a *license* and pay a \$100 registration fee. The department estimates that this change will result in a reduction in license fee revenue. The department estimates that the Senate Bill 946 changes would result in a net reduction in restricted licensing and inspection fee revenue of \$81,400.

Nursery licensing and inspection fee revenue generated under the act currently totals approximately \$1.2 million each year, (FY 2008-09 to FY 2010-11 three-year average).

Funding for the department's nursery licensing and inspection program is provided within the Pesticide and Plant Pest Management line item of the annual MDARD budget. The department indicates that nursery program costs are approximately \$3.2 million and consists of 22 MDARD staff. The department indicates that 50% of program costs are borne by restricted funds from nursery licensing and inspection fees and 50% from state General Fund appropriations.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.