

FY 2017-18: DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

Summary: Conference Report Senate Bill 139 (S-1) CR-1



Analyst: William E. Hamilton

| | FY 2016-17 YTD as of 2/8/17 | FY 2017-18 Executive | FY 2017-18 House | FY 2017-18 Senate | FY 2017-18 Conference | Difference: Conference From FY 2016-17 YTD | |
|------------|--------------------------------|-------------------------|----------------------|----------------------|--------------------------|---|-------------|
| | | | | | | Amount | % |
| IDG/IDT | \$323,200 | \$310,300 | \$310,300 | \$310,300 | \$310,300 | (\$12,900) | (4.0) |
| Federal | 10,471,200 | 11,273,900 | 11,273,900 | 11,273,900 | 11,373,900 | 902,700 | 8.6 |
| Local | 0 | 0 | 0 | 0 | 0 | 0 | -- |
| Private | 130,700 | 101,600 | 101,600 | 101,600 | 101,600 | (29,100) | (22.3) |
| Restricted | 35,054,900 | 36,661,000 | 36,661,000 | 36,660,900 | 36,661,000 | 1,606,100 | 4.6 |
| GF/GP | 49,926,900 | 56,582,000 | 57,682,000 | 61,397,900 | 64,905,700 | 14,978,800 | 30.0 |
| Gross | \$95,906,900 | \$104,928,800 | \$106,028,800 | \$109,744,600 | \$113,352,500 | \$17,445,600 | 18.2 |
| FTEs | 482.0 | 499.5 | 497.5 | 499.5 | 499.5 | 17.5 | 3.6 |

Notes: (1) FY 2016-17 year-to-date figures include mid-year budget adjustments through February 8, 2017. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

Overview

The Michigan Department of Agriculture and Rural Development's (MDARD) 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.

NOTE: Information on House budget action in this document is based on House Bill 4323 as passed by the House.

| | | FY 2016-17 Year-to-Date (as of 2/8/17) | FY 2017-18 Conference Change |
|---|--------------|--|------------------------------------|
| Major Budget Changes From FY 2016-17 YTD Appropriations | | | |
| 1. Emergency Management | | | |
| <u>Executive</u> recommended \$359,700 GF/GP increase with 1.0 additional FTE position for program that coordinates preparation for and response to emergencies that affect the state's food and agriculture industries. | FTE | 3.0 | 1.0 |
| | Gross | \$614,600 | \$459,700 |
| | Federal | 331,900 | 100,000 |
| | GF/GP | \$282,700 | \$359,700 |
| <u>House</u> and <u>Senate</u> concurred with <u>Executive</u> . | | | |
| <u>Conference</u> includes additional \$100,000 in federal funds to recognize Department of Health and Human Services/Food and Drug Administration grant. | | | |
| 2. Operational Services/Central Licensing | | | |
| <u>House</u> and <u>Senate</u> concurred with <u>Executive</u> to provide \$2.0 million (\$1.2 million GF/GP) for <i>Operations services/ Central licensing</i> , an increase of \$107,700 GF/GP and 1.0 additional FTE position over current year. Also shifted funding within budget to reflect department reorganization: the current line item is eliminated, \$1.2 million (\$422,300 GF/GP) is used in a new <i>Central Licensing/Call Center</i> line item in the <i>Laboratory Program</i> appropriation unit, and \$780,000 GF/GP is reallocated to <i>Executive direction</i> . | FTE | 19.0 | 1.0 |
| | Gross | \$1,882,700 | \$107,700 |
| | Restricted | 792,600 | 0 |
| | GF/GP | \$1,090,100 | \$107,700 |
| <u>Conference</u> concurs with <u>House</u> and <u>Senate</u> . | | | |
| 3. Statistical Reporting Service | | | |
| <u>House</u> and <u>Senate</u> concurred with <u>Executive</u> to increase baseline support by \$80,000 GF/GP to offset decline in private revenue. Also moved this line item to the <i>Agriculture Development</i> appropriation unit to recognize a department reorganization. <u>Conference</u> concurs with <u>House</u> and <u>Senate</u> . | FTE | 1.0 | 0.0 |
| | Gross | \$153,600 | \$50,700 |
| | Private | 79,100 | (29,300) |
| | GF/GP | \$74,500 | \$80,000 |

| Major Budget Changes From FY 2016-17 YTD Appropriations | | FY 2016-17 Year-to-Date (as of 2/8/17) | FY 2017-18 Conference Change |
|---|--------------|---|---|
| 4. Food and Dairy – Food Safety Quality Assurance | | | |
| <u>House</u> and <u>Senate</u> concurred with Executive and provided \$671,300 GF/GP increase with 1.0 additional FTE position for program to assist producers in implementing federal Food Safety Modernization Act (FSMA) requirements. <u>Conference</u> adds an additional \$150,000 GF/GP as compared to <u>House</u> and <u>Senate</u> . Use of these funds is earmarked in new boilerplate Sec. 402. | | | |
| | FTE | 93.0 | 1.0 |
| | Gross | \$14,006,400 | \$821,300 |
| | Federal | 1,274,100 | 0 |
| | Restricted | 4,690,600 | 0 |
| | GF/GP | \$8,041,700 | \$821,300 |
| 5. Food and Dairy – Milk Safety Quality Assurance | | | |
| <u>House</u> and <u>Senate</u> concurred with Executive and increased support by \$166,600 GF/GP with 1.0 additional FTE position to reflect increased workload due to changes in federal re-inspection requirements; this program is necessary to ensure compliance with the Pasteurized Milk Ordinance. <u>Conference</u> concurs with <u>House</u> and <u>Senate</u> . | | | |
| | FTE | 30.0 | 1.0 |
| | Gross | \$4,260,100 | \$166,600 |
| | Federal | 56,000 | 0 |
| | Restricted | 219,300 | 0 |
| | GF/GP | \$3,984,800 | \$166,600 |
| 6. Animal Industry – Animal Health and Disease Response | | | |
| <u>Executive</u> recommended \$164,700 GF/GP increase with 1.0 additional FTE position. <u>House</u> concurred with Executive. <u>Senate</u> provided additional \$97,000 GF/GP above the Executive recommendation. <u>Conference</u> concurs with <u>House</u> . | | | |
| | FTE | 60.0 | 1.0 |
| | Gross | \$9,054,500 | \$164,700 |
| | Federal | 625,300 | 0 |
| | Private | 30,500 | 0 |
| | Restricted | 252,600 | 0 |
| | GF/GP | \$8,146,100 | \$164,700 |
| 7. Animal Agriculture Initiative | | | |
| This line, new in the FY 2016-17 budget, supports the Michigan Alliance for Animal Agriculture, a consortium of animal industry organizations, the Michigan Farm Bureau, Michigan State University AgBioResearch, and MDARD. Funding is to be used for applied research and Ag. Extension projects related to animal agriculture. <u>Executive</u> had recommended \$399,000 shown as ongoing. <u>House</u> and <u>Senate</u> concur with Executive. | | | |
| | Gross | \$899,000 | \$1,601,000 |
| | GF/GP | \$899,000 | \$1,601,000 |
| <u>Conference</u> includes \$2.5 million, earmarked in boilerplate Sec. 901, as part of the new \$7.9 million Agriculture Industry Research and Development (AIRD) line. | | | |
| 8. Bovine Tuberculosis (TB) – Wildlife Risk Mitigation | | | |
| <u>Executive</u> had recommended \$1.0 million GF/GP, identified as one-time, for a cost share program, carried out through local conservation districts, to assist livestock producers in identifying and implementing practices to reduce the spread of Bovine TB. <u>House</u> included \$500,000 GF/GP, \$500,000 less than the Executive. <u>Senate</u> concurs with Executive. <u>Conference</u> concurs with <u>House</u> . | | | |
| | Gross | \$0 | \$500,000 |
| | GF/GP | \$0 | \$500,000 |
| 9. Pesticide and Plant Pest Management (PPPM) | | | |
| <u>House</u> and <u>Senate</u> concurred with Executive and provided additional GF/GP and restricted Commodity inspection fee support with 2.0 additional FTE positions to assist producers in implementing FSMA requirements and Good Agricultural Practices (GAP) and Good Handling Practices (GHP) audits. <u>Conference</u> concurs with <u>House</u> and <u>Senate</u> . | | | |
| | FTE | 92.0 | 2.0 |
| | Gross | \$13,672,000 | \$284,400 |
| | Federal | 1,803,600 | 0 |
| | Private | 21,100 | 0 |
| | Restricted | 6,224,500 | 142,200 |
| | GF/GP | \$5,622,800 | \$142,200 |
| 10. Environmental Stewardship/MAEAP | | | |
| <u>House</u> and <u>Senate</u> concurred with Executive to reduce GF/GP support by \$259,000 and also recognize 2.0 additional FTE positions. [The current year baseline includes \$1.5 million in restricted Freshwater Protection fund revenue included in supplemental appropriation act, Public Act 340 of 2016.] <u>Conference</u> concurs with <u>House</u> and <u>Senate</u> . | | | |
| | FTE | 23.0 | 2.0 |
| | Gross | \$10,646,800 | (\$259,000) |
| | Federal | 1,651,900 | 0 |
| | Restricted | 7,679,800 | 0 |
| | GF/GP | \$1,315,100 | (\$259,000) |
| 11. Farmland and Open Space Preservation | | | |
| This program, commonly referred to as the PA 116 program, provides tax credits to qualified farmers and landowners who agree to restrictions on development rights. <u>House</u> and <u>Senate</u> concurred with <u>Executive</u> and reduced GF/GP support by \$120,000; also retained 3.0 FTE positions and \$305,600 in restricted Agriculture Preservation Fund revenue added to current year in supplemental appropriation act, Public Act 340 of 2016. <u>Conference</u> concurs with <u>House</u> and <u>Senate</u> . | | | |
| | FTE | 10.0 | 0.0 |
| | Gross | \$1,727,700 | (\$120,000) |
| | Restricted | 1,400,000 | 0 |
| | GF/GP | \$327,700 | (\$120,000) |

| Major Budget Changes From FY 2016-17 YTD Appropriations | | FY 2016-17 Year-to-Date (as of 2/8/17) | FY 2017-18 Conference Change |
|---|--------------|---|---|
| 12. Intercounty Drain | FTE | 4.0 | 1.0 |
| <u>Executive</u> recommended increase of \$315,100 GF/GP with 2.0 additional FTE positions for ongoing intercounty drain program. <u>House</u> provided \$185,100 GF/GP increase – \$130,000 less than Executive with 1.0 additional FTE. <u>Senate</u> concurred with Executive. | Gross | \$484,400 | \$315,100 |
| <u>Conference</u> concurs with <u>Senate</u> and <u>Executive</u> . | GF/GP | \$484,400 | \$315,100 |
| 13. Intercounty Drain Mapping Project (One-Time) | Gross | \$0 | \$250,000 |
| <u>House</u> and <u>Senate</u> concurred with <u>Executive</u> and provided \$250,000 GF/GP to help establish state standard drainage infrastructure mapping tool. <u>Conference</u> concurs with <u>House</u> and <u>Senate</u> . | GF/GP | \$0 | \$250,000 |
| 14. Qualified Forest Program | FTE | 9.0 | 0.0 |
| <u>Executive</u> recommended increase of \$100,000 Gross; a \$90,000 GF/GP reduction would be offset by recognition of \$190,000 in additional revenue from the Private Forestland Enhancement Fund. <u>House</u> reduced GF/GP support by \$436,100 – \$346,100 GF/GP less than Executive. <u>Senate</u> concurred with Executive. <u>Conference</u> concurs with <u>House</u> . | Gross | \$2,582,700 | (\$246,100) |
| | Restricted | 288,200 | 190,000 |
| | GF/GP | \$2,294,500 | (\$436,100) |
| 15. Right to Farm | FTE | 3.0 | 2.5 |
| <u>Executive</u> recommended \$384,000 GF/GP increase with 3.5 additional FTE positions in anticipation of increased workload related to siting of new or expanded livestock operations. <u>House</u> increased GF/GP support by \$254,000 – \$130,000 GF/GP less than Executive -- with 2.5 additional FTE positions. <u>Senate</u> concurred with Executive. | Gross | \$577,600 | \$384,000 |
| <u>Conference</u> concurs with <u>Senate</u> and <u>Executive</u> . | IDG | 103,100 | 0 |
| | GF/GP | \$474,500 | \$384,000 |
| 16. Agriculture Development | FTE | 11.0 | 1.0 |
| <u>House</u> and <u>Senate</u> concur with Executive and increase GF/GP support by \$408,500 with 1.0 additional FTE position. <u>Conference</u> concurs with <u>House</u> and <u>Senate</u> . | Gross | \$3,604,300 | \$408,500 |
| | Federal | 2,316,000 | 0 |
| | Restricted | 87,200 | 0 |
| | GF/GP | \$1,201,100 | \$408,500 |
| 17. Grape and Wine Council | FTE | 3.0 | 0.0 |
| The FY 2016-17 budget had included \$921,000 in ongoing restricted funding and \$170,000 GF/GP shown as one-time. <u>House</u> and <u>Senate</u> concurred with Executive and eliminated this one-time GF/GP funding. <u>Conference</u> concurs with <u>House</u> and <u>Senate</u> . | Gross | \$1,091,000 | (\$170,000) |
| | Restricted | 921,000 | 0 |
| | GF/GP | \$170,000 | (\$170,000) |
| 18. Value-Added Grants/Food and Agriculture Investment Program | Gross | \$1,500,000 | \$3,243,900 |
| <u>Executive</u> had recommended \$2.7 million GF/GP for the Food and Agriculture Investment Program, defined and governed by boilerplate, Section 701. <u>House</u> included \$2.5 million GF/GP, \$243,900 less than Executive. <u>Senate</u> included \$4.7 million GF/GP; \$2.0 million more than Executive. <u>Conference</u> concurs with <u>Senate</u> . | GF/GP | \$1,500,000 | \$3,243,900 |
| 19. Rural Development Fund Grant Program | FTE | 1.0 | 0.0 |
| <u>House</u> and <u>Senate</u> concurred with <u>Executive</u> and retained this statutory grant program which was new in the FY 2016-17 budget. The program is supported with restricted revenue from a non-ferrous metals extraction tax established in Public Act 410 of 2012. <u>Conference</u> concurs with <u>House</u> and <u>Senate</u> . | Gross | \$2,000,000 | \$0 |
| | Restricted | 2,000,000 | 0 |
| | GF/GP | \$0 | \$0 |
| 20a. County Fairs, Shows, Expositions Grants | Gross | \$470,000 | \$178,800 |
| <u>Executive</u> had recommended \$300,500 GF/GP, a reduction of \$170,000 for program that provides matching capital grants to eligible county fairs, shows, and expositions. <u>House</u> makes an additional \$100 GF/GP reduction as compared to the Executive in order to establish a separate Festivals and events line item. <u>Senate</u> includes \$649,300 GF/GP, \$348,800 more than Executive. <u>Conference</u> concurs with <u>Senate</u> . | GF/GP | \$470,000 | \$178,800 |
| 20b. Festivals and Events | Gross | \$0 | \$0 |
| <u>House</u> included \$100 placeholder for new line item. <u>Senate</u> did not include. <u>Conference</u> does not include. | GF/GP | \$0 | \$0 |

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|---|--------------|---|---|
| 21. Advanced Deposit Wagering <u>Senate</u> included \$100 placeholder for new line item. <u>House</u> did not include. <u>Conference</u> does not include. | Gross | \$0 | \$0 |
| | GF/GP | \$0 | \$0 |
| | | | |
| 22. Tree Fruit Research/Commission FY 2016-17 budget includes \$500,000 GF/GP, identified as one-time, for tree fruit research grants. <u>Executive</u> recommended \$1.5 million GF/GP granted to the Michigan Tree Fruit Commission for capital improvements to Michigan State University tree fruit research facilities. <u>House</u> included \$1.25 million, \$250,000 less than Executive. <u>Senate</u> concurred with Executive. <u>Conference</u> includes \$1.0 million, earmarked in boilerplate Sec. 901, as part of the new \$7.9 million AIRD line. | Gross | \$500,000 | \$500,000 |
| | GF/GP | \$500,000 | \$500,000 |
| | | | |
| 23. Vital Agriculture Infrastructure Grant (One-Time) <u>House</u> and <u>Senate</u> concurred with <u>Executive</u> to eliminate one-time earmark for local capital construction project. <u>Conference</u> concurs with <u>House</u> and <u>Senate</u> . | Gross | \$220,000 | (\$220,000) |
| | GF/GP | \$220,000 | (\$220,000) |
| | | | |
| 24. Double-Up Food Bucks (One-Time) <u>Executive</u> had requested a total of \$1.4 million GF/GP for expansion of "Double-up Food Bucks" nutrition incentive program. <u>House</u> concurred with Executive. <u>Senate</u> did not include. <u>Conference</u> includes only \$100 placeholder from restricted funds. | Gross | \$0 | \$100 |
| | Restricted | 0 | 100 |
| | GF/GP | \$0 | \$0 |
| [The Executive has requested a \$1.5 million GF/GP supplemental appropriation for the FY 2016-17 Department of Health and Human Services budget to match a three-year federal USDA Food Insecurity Nutrition Incentives grant to provide additional funding for the Double-Up Food Bucks program.] | | | |
| 25. MSU Mobile Fruit and Vegetable Processing Units (One-Time) <u>House</u> and <u>Senate</u> had included include one-time funding for purchase of mobile fruit and vegetable processing units to be used by MSU, in coordination with participating community colleges, to help train students in food processing industry. The House had also included funding for capital improvements to MSU's on-campus food processing laboratory. <u>Conference</u> includes \$4.4 million, earmarked in boilerplate Sec. 901, as part of the new \$7.9 million AIRD line. Of the \$4.4 million, \$3.2 million is identified as for campus and mobile labs; \$1.2 million is earmarked for a related workforce development initiative. | Gross | \$0 | \$4,400,000 |
| | GF/GP | \$0 | \$4,400,000 |
| | | | |
| 26. Albion Equestrian Center <u>Senate</u> included \$100,000 for new line item. <u>House</u> does not include. <u>Conference</u> concurs with <u>Senate</u> . | Gross | \$0 | \$100,000 |
| | GF/GP | \$0 | \$100,000 |
| | | | |
| 27. Food Bank Council of Michigan <u>Senate</u> included \$2.5 million GF/GP for new line item. <u>House</u> does not include. <u>Conference</u> includes \$2.0 million GF/GP. | Gross | \$0 | \$2,000,000 |
| | GF/GP | \$0 | \$2,000,000 |
| | | | |
| 28. Technical and Revenue Adjustments Includes various technical and revenue adjustments so that appropriated revenue better reflects anticipated revenue sources. | Gross | NA | \$1,848,500 |
| | Federal | NA | 775,000 |
| | IDG | NA | (15,000) |
| | Restricted | NA | 1,101,400 |
| | GF/GP | NA | (\$12,900) |

| Major Budget Changes From FY 2016-17 YTD Appropriations | | FY 2016-17 Year-to-Date (as of 2/8/17) | FY 2017-18 Conference Change |
|---|--------------|---|---|
| 29. Economics | Gross | NA | \$676,200 |
| <u>Executive</u> reflects increased costs of \$676,200 Gross (\$473,800 GF/GP) for negotiated salary and wage increases (3.0% ongoing after removing the FY 2016-17 one-time 1.5% lump sum), actuarially required retirement contributions, worker's compensation, building occupancy charges, and other economic adjustments. <u>House</u> and <u>Senate</u> concur. | IDG | NA | 2,100 |
| | Federal | NA | 27,700 |
| | Private | NA | 200 |
| | Restricted | NA | 172,400 |
| | GF/GP | NA | \$473,800 |

Major Boilerplate Changes From FY 2016-17

Sec. 215. Communication with the Legislature – RETAINED

Prohibits department from taking disciplinary action against an employee for communicating with the Legislature
Executive deletes. Conference retains.

Sec. 234. Record Retention – RETAINED

Requires department to retain reports funded from Part 1 appropriations; record retention guidelines.
Executive deletes. Conference retains.

Sec. 402. Education and Training for Beer Delivery Systems – NEW

Conference adds new section earmarking \$150,000 from the Food safety and quality assurance line for new program related to proper management of beer delivery systems authorized under Public Act 514 of 2016.

Sec. 403. FSMA Program – RETAINED

Indicates legislative intent that the department establish a FSMA education and training program; authorizes use of federal funds in addition to those appropriated in Part 1. Conference retains.

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

Requires department to pay for the costs of whole-herd testing and individual animal testing in the Modified Accredited Zone, including indemnity and compensation for animal injury. Conference retains.

Sec. 453. Indemnification/Depredation Payments – REVISED

Requires specific appropriation for indemnification payments that exceed \$100,000; provides reporting requirements; eliminates requirement that report identify persons to whom indemnification is paid, and allows depredation report as part of annual Animal Industry Division report. Conference revises to require report on a calendar year basis, rather than fiscal year.

Sec. 457. Bovine TB Quarterly Report – RETAINED

Section establishes specific Bovine TB reporting requirement.
Executive deletes. Conference retains.

Sec. 459. Bovine TB Testing, Legislative Intent – RETAINED

Section indicated legislative intent that 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.
Conference retains.

Sec. 461. Bovine TB Risk Mitigation – NEW

House includes new section, which was not included in the Senate bill, describing the Bovine TB risk mitigation program and establishing an earmark for apiary protection program. Conference concurs with House.

Sec. 701. Value Added Grant Program – REVISED

Current language of Sec. 701 defines Valued-added grant program. Executive includes new language in Sec. 711 which directs department to establish new *Food and Agriculture Investment Program* as a competitive grant program intended to expand Michigan's food and agriculture sector, grow Michigan exports, and increase food processing activities; establishes grant criteria and reporting requirements. Conference generally follows Executive with some language modifications.

Sec. 702. Rural Development Fund/Program – RETAINED

Section directs department to work with Rural Development Fund Board.
Executive deletes. Conference retains; corrects statutory reference.

Sec. 706. Agriculture Development Report – RETAINED

Executive includes new metrics on increased trade show and export business visit attendance.
Conference retains current year language.

Sec. 709. Grape and Wine Industry Council Report – RETAINED

Executive deletes a current reporting requirement. Conference retains.

Major Boilerplate Changes From FY 2016-17

Sec. 801. Ag Equine Industry Development Fund (AEIDF) – RETAINED

Requires that all appropriations in part 1 from the AEIDF be spent for equine-related purposes.

Executive deletes. Conference retains.

Sec. 804. Michigan Gaming Control Board (MGCB) – RETAINED

Requires MGCB to use actual expenditure data in determining regulatory costs.

Executive deletes. Conference retains.

Sec. 805. County Fair Capital Grant Program – REVISED

Provides for matching program for county fair capital grants appropriated in part 1.

Executive revises to delete special project earmarks. Conference concurs with Executive with minor language changes.

Sec. 901. Agriculture Industry Research and Development (AIRD) – NEW

Conference includes new section which earmarks specific uses of the \$7.9 million AIRD appropriation.