

**Summary: House Subcommittee Chair Budget Recommendation  
for Fiscal Year 2016-17  
House Bill 5268 (H-1) Draft 1  
DEPARTMENT AGRICULTURE AND RURAL DEVELOPMENT**



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	FY 2015-16 YTD as of 2/10/16	FY 2016-17 Executive	FY 2016-17 House	FY 2016-17 Senate	FY 2016-17 Enacted	Difference: House From FY 2015-16 YTD	
						Amount	%
IDG/IDT	\$317,300	\$323,200	\$323,200			\$5,900	1.9
Federal	10,427,900	10,471,200	10,471,200			43,300	0.4
Local	0	0	0			0	
Private	128,100	130,700	130,700			2,600	2.0
Restricted	32,647,100	32,629,300	34,129,300			1,482,200	4.5
GF/GP	43,073,600	48,036,900	47,488,000			4,414,400	10.2
<b>Gross</b>	<b>\$86,594,000</b>	<b>\$91,591,300</b>	<b>\$92,542,400</b>			<b>\$5,948,400</b>	<b>6.9</b>
FTEs	460.0	479.0	477.0			17.0	3.7

Notes: (1) FY 2015-16 year-to-date figures include mid-year budget adjustments through February 10, 2016. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

**Overview**

The Department of Agriculture and Rural Development's 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.

<b>Major Budget Changes From FY 2015-16 Year-to-Date (YTD) Appropriations</b>	FY 2015-16 YTD (as of 2/10/16)	House Change from YTD
<b>1. Information Technology</b>		
<b>Executive:</b> Provides \$378,000 Gross, (\$257,000 GF/GP) increase to reflect ongoing costs of new licensing and inspection system.	<b>Gross</b> \$1,372,500	<b>\$378,000</b>
<b>House:</b> Concurs with Executive.	IDG 3,200	0
	Restricted 64,600	121,000
	GF/GP \$1,304,700	\$257,000
	FTEs 91.0	0.0
<b>2. Food Safety and Quality Assurance</b>	<b>Gross</b> \$13,537,800	<b>\$0</b>
<b>Executive:</b> Includes \$1.2 million GF/GP and 2.0 additional FTE positions for program to assist producers implement on-farm food produce safety standards under the Food Safety Modernization Act (FSMA); training, education, and technical assistance would be delivered in part through Michigan State University extension agents and local conservation district technicians.	Federal 1,250,900	0
<b>House:</b> Does not include new funding or FTE increase; includes new Sec. 403.	Restricted 4,620,500	0
	GF/GP \$7,666,400	\$0
	FTEs 7.0	0.0
<b>3. Farmland and Open Space Preservation</b>	<b>Gross</b> \$905,200	<b>\$1,000,000</b>
<b>Executive:</b> Increases baseline GF/GP by \$500,000 to offset decline in restricted the Agriculture Preservation Fund revenue intended to support this program, commonly referred to as the PA 116 program.	Restricted 583,600	0
<b>House:</b> Increases GF/GP by \$1.0 million, \$500,000 more than the Executive.	GF/GP \$321,600	\$1,000,000
	FTE 9.0	0.0
<b>4. Qualified Forest Program</b>	<b>Gross</b> \$2,682,500	<b>(\$130,000)</b>
<b>Executive:</b> Reduces baseline GF/GP support by \$130,000.	Restricted 284,900	0
<b>House:</b> Concurs with Executive.	GF/GP \$2,397,600	(\$130,000)
	<b>Gross</b> \$300,000	<b>(\$300,000)</b>
<b>5. Commercial Forestry Audit Program</b>	GF/GP \$300,000	(\$300,000)
<b>Executive:</b> Eliminates funding for this program; the current year budget includes sufficient funding to complete the final two years of the three-year commercial forestry audit. <b>House:</b> Concurs with Executive.		

<b>6. Laboratory Services</b>	FTEs	37.0	5.0
<b>Executive:</b> Reflects two programmatic changes: Elimination of Agriculture Equine Industry Development Fund (AEIDF) revenue (\$600,200), to reflect transfer of horse race testing program to Michigan Gaming Control Board (MGCB); increase funding for Geagley Laboratory by \$2.1 million GF/GP to support additional staffing/equipment upgrades for food safety and export market testing programs. In part, the GF/GP increase would offset reductions in restricted gasoline testing fee revenue described in <b>Item #20</b> below. <b>House:</b> Concurs with Executive.	<b>Gross</b>	<b>\$5,322,000</b>	<b>\$1,469,800</b>
	IDG	212,900	0
	Federal	781,100	0
	Restricted	2,123,500	(600,200)
	GF/GP	\$2,204,500	\$2,070,000
<b>7. Consumer Protection Program</b>	FTEs	40.0	1.0
<b>Executive:</b> Reflects a \$1.0 million GF/GP increase in baseline funding support for consumer protection programs at the Heffron metrology laboratory. In part, the GF/GP increase would offset reductions in restricted gasoline testing fee, and weights and measures fee revenue described in <b>Item #20</b> below. <b>House:</b> Concurs with Executive.	<b>Gross</b>	<b>\$6,072,200</b>	<b>\$1,040,000</b>
	Restricted	6,071,600	0
	GF/GP	\$600	\$1,040,000
<b>8. Diagnostic Center for Population and Animal Health - NEW</b>	<b>Gross</b>	<b>\$0</b>	<b>\$1,100,000</b>
<b>House:</b> Provides funding for MSU Diagnostic Laboratory.	GF/GP	\$0	\$1,100,000
<b>9. Rural Development Value-Added (Value-Added Grants)</b>	<b>Gross</b>	<b>\$1,200,000</b>	<b>(\$700,000)</b>
<b>Executive:</b> Current year total of \$1.2 million reflects \$650,000 in ongoing funding and \$550,000 one-time. <b>Executive:</b> Recommends \$500,000 GF/GP and would change the name of the program to "Value-added grants." <b>House:</b> Concurs with Executive. See Boilerplate Sec. 701.	GF/GP	\$1,200,000	(\$700,000)
<b>10. Rural Development Fund Grant Program - NEW</b>	<b>Gross</b>	<b>\$0</b>	<b>\$2,000,000</b>
<b>Executive:</b> Includes \$2.0 million from Rural Development Fund for new grant/loan program for projects that address expansion and sustainability of agriculture, mining, forestry, oil and gas exploration, and tourism. Fund revenue is generated from a nonferrous metal mining severance tax established in Public Act 411 of 2012. See related boilerplate section – Sec. 802 in the Executive budget. <b>House:</b> Concurs with Executive; boilerplate section is renumbered as Sec. 711.	Restricted	\$0	\$2,000,000
<b>11. Vital Agriculture Infrastructure Grant Program - NEW</b>	<b>Gross</b>	<b>\$0</b>	<b>\$220,000</b>
<b>House:</b> Establishes new line item.	GF/GP	\$0	\$220,000
<b>12. Healthy Food Assistance Program - NEW</b>	<b>Gross</b>	<b>\$0</b>	<b>\$100</b>
<b>House:</b> Establishes placeholder for new program.	GF/GP	\$0	\$100
<b>13. County Fairs Capital Improvement Grants</b>	<b>Gross</b>	<b>\$300,000</b>	<b>\$0</b>
<b>Executive:</b> Eliminates GF/GP program that provides matching grants for county fair improvement projects. <b>House:</b> Retains current year funding.	GF/GP	\$300,000	\$0
<b>14. Shows and Expositions</b>	<b>Gross</b>	<b>\$20,000</b>	<b>(\$20,000)</b>
<b>Executive:</b> Eliminates GF/GP program that provides grants for agricultural shows and expositions. <b>House:</b> Concurs with Executive.	GF/GP	\$20,000	(\$20,000)
<b>15. Horse Racing Programs</b>	FTEs	1.0	(1.0)
<b>Executive:</b> Eliminates 1.0 FTE position for fairs and racing administration functions. Retains current year funding for horse racing awards and purse supplements, but increases Thoroughbred sire stakes by \$80,000 and reduces Thoroughbred breeders' awards by a like amount. <b>House:</b> Concurs with Executive.	<b>Gross</b>	<b>\$3,667,200</b>	<b>\$0</b>
	Restricted	3,667,200	0
<b>16. Tree Fruit Research (One-Time)</b>	<b>Gross</b>	<b>\$500,000</b>	<b>(\$500,000)</b>
<b>Executive:</b> Eliminates one-time GF/GP authorization for grant program. <b>House:</b> Concurs with Executive.	GF/GP	\$500,000	(\$500,000)
<b>17. One-Time Capital Equipment for Geagley Laboratory</b>	<b>Gross</b>	<b>\$150,000</b>	<b>(\$150,000)</b>
<b>Executive:</b> Eliminates one-time GF/GP authorization. <b>House:</b> Concurs with Executive.	GF/GP	\$150,000	(\$150,000)
<b>18. Refined Petroleum Fund – Offset with GF/GP</b>	<b>Gross</b>	<b>N/A</b>	<b>\$0</b>
<b>Executive:</b> Reduces use of Refined Petroleum Fund (RPF) by \$1.5 million; offsets with GF/GP, primarily in <i>Laboratory services</i> and <i>Consumer protection</i> programs. <b>House:</b> Retains use of RPF and therefore does not need to offset with GF/GP.	Restricted	N/A	0
	GF/GP	N/A	\$0

<b>19. Technical Revenue Adjustments – GF/GP</b>	<b>Gross</b>	<b>N/A</b>	<b>(\$99,100)</b>
<b>Executive:</b> Unspecified reductions to balance to GF/GP target as follows: Food and dairy, (\$48,400); PPPM, (\$20,700); and Environmental stewardship, (\$30,000). <b>House:</b> Concurs with Executive.	GF/GP	N/A	(\$99,100)
<b>20. Technical Revenue Adjustments – Federal and Restricted</b>	<b>Gross</b>	<b>N/A</b>	<b>(\$435,900)</b>
<b>Executive:</b> Adjusts federal and restricted revenue in various line items to reflect best estimates of available federal grants and restricted revenue sources. <b>House:</b> Concurs with Executive.	Federal	N/A	(91,800)
	Restricted	N/A	(344,100)
	GF/GP	N/A	\$0
<b>21. Economic Adjustments</b>	<b>Gross</b>	<b>N/A</b>	<b>\$1,313,100</b>
<b>Executive and House</b> reflect increased costs of \$1.3 million Gross (\$727,500 GF/GP) for negotiated salary and wage increases (1.0% ongoing, 1.5% lump sum), insurance rate increases, actuarially required retirement contributions, and other economic adjustments.	IDG	N/A	5,900
	Federal	N/A	135,100
	Private	N/A	2,600
	Restricted	N/A	442,000
	GF/GP	N/A	\$727,500
<b>22. End of Five-Year Early Retirement Sick Leave Payouts</b>	<b>Gross</b>	<b>N/A</b>	<b>(\$237,600)</b>
<b>Executive and House</b> recognizes the end of employee accumulated leave-time payouts from 2010 early retirement incentive, which had been spread over 5 years.	Restricted	N/A	(136,500)
	GF/GP	N/A	(\$101,100)

### **Major Boilerplate Changes From FY 2015-16**

#### **GENERAL SECTIONS (Secs. 201 through 232)**

The current year budget act, 2015 PA 84, includes a number of General or standard boilerplate sections: Sec. 201, Total state spending/spending to local units; Sec. 202, Reference to Management and Budget Act; Sec. 203, Abbreviations; Section 205, New or expanded program metrics; Sec. 206, Contingency appropriations; Sec. 207, Transparency website; Sec. 208, Use of internet to fulfill reporting requirements; Sec. 209, Preference for American/Michigan goods/services; Sec. 201, Deprived/depressed communities; Sec. 212, Record retention; Sec. 215, Discipline of employees communicating with Legislature; Sec. 215, Out-of-state travel report; Sec. 228, Report on GF/GP lapses; Sec. 229, Report on restricted fund revenue and balances; Sec. 230, Use of attorneys other than the Attorney General; Sec. 231, Website metrics/scorecard; Sec. 232, Legacy costs.

Except as noted below, both the Executive and the House retain all of the current year standard sections, in some cases with minor modifications. Note that at the request of the State Budget Office, many of these sections have been renumbered.

#### **Sec. 205. Report on Specific Performance Benchmarks – RETAINED**

Requires the department to identify specific performance benchmarks for new programs or program enhancements in excess of \$500,000. **Executive:** Deletes; **House:** Retains, renumbered as Sec. 233.

#### **Sec. 212. Record Retention – DELETED**

Prescribes record retention guidelines. **Executive:** Deletes; **House:** Concurs with Executive.

#### **Sec. 215. Discipline of Employees Communicating with Legislature – RETAINED**

Prohibits the department from disciplining employees for communicating with the legislature.

**Executive:** Deletes; **House:** Retains.

#### **DEPARTMENTWIDE**

#### **Sec. 301. Miscellaneous Fees Revenue/Expenditures – MODIFIED**

Authorizes department to receive/expense revenue to cover expenses related to publications, audits, sales, inspections, and other department functions; requires legislative notification 30 days prior to proposing fee increases; requires annual report on fees charged by department. **Executive:** Retains; **House:** Modifies to clarify.

#### **Sec. 302. Grant Notification – MODIFIED**

Requires notice of grants made to local units of government, institutions of higher education, or non-profit organizations.

**Executive:** retains; **House:** Modifies to clarify.

#### **Sec. 303. On-Line Licensing Applications – RETAINED**

Indicates Legislative intent that the department use revenue from licensing and inspection fees to increase the use of technology in licensing and inspection activities to make licensing and inspection functions, including reporting, more efficient. Directs the department to work to ensure that all license and registration applications can be completed on-line through a secure web portal.

**Executive:** Retains; **House:** Retains.

## FOOD AND DAIRY

### **Sec. 402. Food Safety Report/Food and Dairy Division Report – MODIFIED**

Current year requires a report on food-borne outbreaks and emergencies related to food safety.

**Executive:** Retains; **House:** Modifies/expands to require an annual Food and Dairy Division report, due April 1 of each year.

### **Sec. 403. Food Safety & Modernization Act Program (FSMA) – NEW**

**House:** Includes new section indicating legislative intent that the department established FSMA education and training program; authorizes use of federal funds in addition to those appropriated in Part 1.

## ANIMAL INDUSTRY

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

Requires the 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. **Executive:** Deletes; **House:** Retains.

### **Sec. 452. Animal Industry Division Annual Report – NEW**

**House:** Includes new annual report on activities of the Animal Industry Division; due April 1 of each year.

### **Sec. 453. Indemnification Payments – MODIFIED**

Current section authorizes the department to provide for indemnity pursuant to Animal Industry Act; limits indemnification orders to \$100,000 per order; and requires report on reason for, amount of, and person to whom indemnification is to be paid. Subsection (2) currently authorizes the department to indemnify for livestock killed by wolves, coyotes, or cougars. Subsection (3) currently indicates that the appropriation in Part 1 for indemnification is for indemnification under Subsection (2) and related department costs; requires a report, due March 1. **Executive:** Modifies; **House:** Modifies to clarify.

### **Sec. 454. Bovine TB – RETAINED**

Directs department to collaborate with USDA and work to eradicate Bovine TB.

**Executive:** Deletes; **House:** Retains.

### **Sec. 456. Electronic Animal Identification – RETAINED**

Current year language prohibits the use of appropriated funds to enforce electronic ID programs for domestic animals.

**Executive:** Deletes; **House:** Retains.

### **Sec. 457. Bovine TB Quarterly Report – MODIFIED**

**Executive:** Deletes the quarterly reports and references the Animal Industry Division annual report; **House:** Modifies language; retains quarterly reporting.

### **Sec. 458. Aquaculture – MODIFIED**

**Executive:** Retains current language that directs the department to provide inspection and testing of aquaculture facilities and researchers; deleted reference to VHS. **House:** Concurs with Executive.

### **Sec. 459. Bovine TB Testing, Legislative Intent – RETAINS**

Indicates that it is the intent of the Legislature that the 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. **Executive:** Deletes; **House:** Retains.

## PESTICIDE AND PLANT PEST MANAGEMENT (PPPM)

### **Sec. 501. Pesticide and Plant Pest Management Annual Report – NEW**

**House:** Includes new annual report on activities of PPPM Division; due April 1 of each year.

## ENVIRONMENTAL STEWARDSHIP DIVISION (ESD)

### **Sec. 601. Environmental Stewardship/MAEAP – RETAINED**

Clarifies intent that line item funding be used to support Department agriculture pollution prevention programs, including groundwater and freshwater protection programs under Part 87 of the Michigan Natural Resources and Environmental Protection Act, 1994 PA 451, and technical assistance in implementing conservation grants available under the federal Farm Bill of 2014.

**Executive:** Minor modification; **House:** Retains current language.

### **Sec. 602. Environmental Stewardship Division Annual Report – NEW**

**House:** Includes new annual report on activities of ESD Division; due April 1 of each year.

### **Sec. 604. Appropriation of Excess Federal Revenues – MODIFIED**

Authorizes the department to expend federal revenues in excess of the appropriation under section 107 in part 1 upon notification of the Legislature. **Executive:** Retains; **House:** Modifies to clarify.

### **Sec. 608. Qualified Forest Program – RETAINED**

**Executive** and **House** retain section that defines purpose of program as increasing knowledge of nonindustrial private forestland owners' best management practices and increasing the amount of commercial timber production from those lands.

**Sec. 609. Commercial Forestry Audit Program – DELETED**

**Executive** and **House** delete current language that describes intent of the program. Program will be completed in FY 2015-16.

**LABORATORY PROGRAM**

**Sec. 651. Laboratory Program Annual Report – NEW**

**House:** Includes new annual report on activities of Laboratory Division; due April 1 of each year.

**Sec. 652. Laboratory Program Turnaround Times – NEW**

**Executive:** Includes new laboratory turnaround time metrics. **House** concurs with Executive.

**AGRICULTURE DEVELOPMENT**

**Sec. 701. Rural Development Value Added Grant Program – MODIFIED**

Current language defines program to “promote the expansion of value-added agricultural production, processing, and access with this state.” Provides guidance for administration of program.

**Executive:** Generally retains current language; renames program as *Value-added grants* program; **House:** Modifies to clarify.

**Sec. 706. Agriculture Development Division Annual Report – NEW**

**House:** Includes new annual report on activities of Agriculture Development Division; due April 1 of each year.

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

**Executive:** Deletes current reporting requirement; **House:** Retains.

**Sec. 711. Rural Development Fund/Program – NEW**

**Executive:** Directs department to work with Rural Development Fund Board; references 2012 PA 41. **House:** Concurs with Executive.

**FAIRS AND EXPOSITIONS**

**Sec. 801. Ag Equine Industry Development Fund – RETAINED**

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

**Executive:** Deletes; **House:** Retains.

**Sec. 802. Agriculture Equine Fund Reduction – RETAINED**

**Executive** and **House** retain requirement that department make proportionate reductions in AEIDF appropriations, except for the racing commission and laboratory analysis, if AEIDF revenue falls below original appropriation amounts.

**Sec. 804. Michigan Gaming Control Board – RETAINED**

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

**Executive:** Deletes; **House:** Retains.

**Sec. 805. County Fair Capital Grant Program – MODIFIED**

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

**Executive:** Deletes; **House:** Modifies to exclude fairs that received awards in prior year from receiving awards from the program.

**Sec. 806. Shows and Expositions Grants – DELETED**

**Executive** and **House** delete section regarding a grant program that is not included in proposed budget.