

AGRICULTURE

Summary: As Passed by the House House Substitute for Senate Bill 237 (H-1)

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| | FY 2008-09 YTD | FY 2009-10 Executive | FY 2009-10 Senate | FY 2009-10 House | FY 2009-10 Enacted | Difference: House substitute From FY 2008-09 YTD | |
|-------------------|---------------------|-------------------------|----------------------|---------------------|-----------------------|--|---------------|
| | | | | | | Amount | % |
| IDG/IDT | \$9,539,200 | \$435,700 | \$435,700 | \$685,700 | | (\$8,853,500) | (92.8) |
| Federal | 17,366,900 | 14,231,100 | 14,231,100 | 15,531,100 | | (1,835,800) | (10.6) |
| Local | 0 | 0 | 0 | 0 | | 0 | 0.0 |
| Private | 237,200 | 243,200 | 243,200 | 243,200 | | 6,000 | 2.5 |
| Restricted | 43,144,800 | 34,602,800 | 40,002,800 | 39,972,900 | | (3,171,900) | (6.2) |
| GF/GP | 28,546,100 | 33,987,100 | 30,588,400 | 30,477,000 | | 1,930,900 | 6.8 |
| Gross | \$98,834,200 | \$83,499,900 | \$86,427,800 | \$86,909,900 | | (\$11,924,300) | (12.0) |
| FTEs | 600.5 | 597.5 | 597.5 | 597.5 | | (3.0) | (0.5) |

Note: FY 2008-09 figures reflect supplementals and Executive Order (EO) actions through June 21, 2009.

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.

Budget Summary

The Executive budget for FY 2009-10 reflects elimination or reductions in several revenue sources, the most significant of these changes are: elimination of \$9.2 million in State Services Fee Fund revenue; elimination of Upper Peninsula State Fair revenue; recognition of reductions in Agriculture Equine Industry Development Fund (AEIDF) revenue; continuing reductions in federal support for Emerald Ash Borer program; elimination of \$8.9 million IDG from the Department of Community Health for Local Health Department food service inspection programs; and \$700,000 in proposed dairy inspection fees to offset \$700,000 GF/GP reduction in Food and Dairy programs.

The House bill is \$3.5 million Gross higher than the Executive, but is \$3.5 million less in General Fund support.

The House bill includes \$5.2 million in State Services Fee Fund revenue that had not been part of the Executive recommendation, to support county fair programs and the Office of Racing Commissioner. The House bill includes \$8.8 million in appropriations from the AEIDF. The House substitute also recognizes an additional \$1.3 million in federal USDA specialty crop grants.

New: The H-1 substitute would reduce Dairy and food safety fund revenue by \$500,000 from the amount proposed in the Executive recommendation; recognizing only \$200,000 from proposed additional dairy inspection fees. This reduction would be partially offset by an increase of \$400,000 in General Fund revenue made available from the Agriculture Development line item. The General Fund reduction in Agriculture Development in turn would be offset through IDG funding from the Michigan Department of Energy Labor and Economic Growth.

| Major Budget Changes From FY 2008-09 YTD Appropriations | | FY 2008-09 YTD | House Change From YTD |
|---|--------------|-----------------|-----------------------------|
| 1. Commissions and Boards | Gross | \$32,800 | (\$9,000) |
| House appropriates \$23,800; eliminates use of Upper Peninsula State Fair revenue as a fund source. | Restricted | 17,800 | (9,000) |
| | GF/GP | \$15,000 | \$0 |

| Major Budget Changes From FY 2008-09 YTD Appropriations | | FY 2008-09 YTD | House Change From YTD |
|---|--------------|-----------------------|--------------------------------------|
| 2. Unclassified Positions | FTEs | 6.0 | 0.0 |
| No change in gross appropriations, but replaces \$160,500 State Services Fee Fund (SSFF) revenue with \$90,000 from the Agriculture Equine Industry Development Fund (AEIDF) and \$70,500 from GF/GP. | Gross | \$319,000 | \$0 |
| The Senate had unrolled into three separate lines and reduced funding to \$194,000. | Restricted | 160,500 | (70,500) |
| | GF/GP | \$158,500 | \$70,500 |
| 3. Executive Direction | FTEs | 10.0 | 0.0 |
| House appropriates \$985,800; replaces \$73,800 SSFF revenue with GF/GP. | Gross | \$922,600 | \$63,200 |
| | Restricted | 108,000 | (71,500) |
| | GF/GP | \$814,600 | \$134,700 |
| 4. Management Services | FTEs | 24.0 | 0.0 |
| House appropriates \$1,756,900; replaces \$24,900 SSFF revenue with GF/GP. | Gross | \$1,575,800 | \$181,100 |
| | Restricted | 136,500 | (15,500) |
| | GF/GP | \$1,439,300 | \$196,600 |
| 5. Agricultural Statistics | FTEs | 1.0 | 0.0 |
| House appropriates \$146,000; the Senate had eliminated GF/GP funding. | Gross | \$143,700 | \$2,300 |
| | Restricted | 78,400 | 1,300 |
| | GF/GP | \$65,300 | \$1,000 |
| 6. Emergency Management | FTEs | 2.5 | 4.0 |
| House appropriates \$737,400; retains \$500,000 federal grant (new in current year) and 4.0 related FTE positions; replaces \$243,300 SSFF revenue with GF/GP. | Gross | \$743,300 | (\$6,200) |
| | Federal | 500,000 | 0 |
| | Restricted | 243,300 | (243,300) |
| | GF/GP | \$0 | \$237,100 |
| 7. Internal Audit Services | Gross | \$263,700 | (\$263,700) |
| Internal audit functions were transferred to the Department of Management and Budget/State Budget Office in 2009. The Executive budget would transfer funding to the DMB budget in FY 2009-10. The House concurs. | GF/GP | \$263,700 | (\$263,700) |
| 8. Departmentwide –Rent and Building Occupancy | Gross | \$718,300 | (\$297,100) |
| Executive Order 2008-21 reduced current year GF/GP funding by \$240,000; Executive Order 2009-22 eliminated all GF/GP funding in the line. These baseline reductions are absorbed by other department program areas – actual building occupancy costs total \$1.38 million. | Federal | 185,400 | (32,000) |
| | Restricted | 532,900 | (265,200) |
| | GF/GP | \$0 | \$100 |
| The House appropriations \$421,200. The House replaces \$313,500 SSFF revenue with \$53,400 AEIDF; the Senate retains SSFF revenue and does not include AEIDF support. | | | |
| 9. Food and Dairy –Food Safety and Quality Assurance | FTEs | 115.0 | 0.0 |
| House appropriates \$12,639,600; reflects anticipated additional federal grant revenue. Executive had proposed to offset a \$700,000 reduction in GF/GP support with milk inspection fee revenue generated from a proposed alternative inspection fee. | Gross | \$12,748,000 | (\$108,400) |
| | Federal | 557,400 | (86,900) |
| | Restricted | 2,988,800 | 250,300 |
| | GF/GP | \$9,201,800 | (\$271,800) |

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

| Major Budget Changes From FY 2008-09 YTD Appropriations | | FY 2008-09 YTD | House Change From YTD |
|---|--------------|-----------------------|--------------------------------------|
| 10. Food and Dairy – Local Public Health Program | Gross | \$8,878,700 | (\$8,878,700) |
| House adopts the Executive recommendation and eliminates the line item and related IDG funding, which are simply placeholders used to recognize the Department's oversight role in local public health department food service inspection program. Elimination of the line will not affect the Department's oversight role or local public health agencies' food service inspection programs which are funded in the Department of Community Health budget. | IDG | 8,878,700 | (8,878,700) |
| 11. Animal Industry –Animal Health and Disease Response | FTEs | 70.0 | 0.0 |
| House appropriates \$8,681,500; adopts Executive proposal to -up <i>Animal Health and Welfare</i> and <i>Bovine Tuberculosis</i> into a single <i>Animal Health and Disease Response</i> line item. [The 2008-09 YTD column also combines the two lines for comparison purposes.] | Gross | \$10,162,400 | (\$1,480,900) |
| | Federal | 1,765,100 | (513,900) |
| | Restricted | 2,360,700 | (2,252,700) |
| | GF/GP | \$6,036,600 | \$1,285,700 |
| Appropriation recognizes eliminates \$787,000 AEIDF, and \$1,466,800 in SSFF revenue. | | | |
| The Senate includes \$75,000 IDG related to cervid fee revenue not recognized in the House. | | | |
| 12. Pesticide and Plant Pest Management – PPPM | FTEs | 110.0 | 0.0 |
| House appropriates \$8,681,500; recognizes anticipated increase in federal grant revenue. | Gross | \$11,923,000 | \$6,000 |
| | Federal | 2,447,700 | 101,900 |
| | Private | 148,000 | 4,600 |
| | Restricted | 5,165,100 | 46,700 |
| | GF/GP | \$4,162,200 | (\$147,200) |
| 13. Emerald Ash Borer Program | FTEs | 24.5 | 0.0 |
| Appropriation of \$3.0 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 | \$5,191,400 | (\$2,157,200) |
| | Federal | 5,191,400 | (2,157,200) |
| 14. Environmental Stewardship | FTEs | 27.0 | 0.0 |
| House appropriates \$2,197,700; reduces IDG funding to reflect actual anticipated IDG support. | Gross | \$2,606,500 | (\$408,900) |
| | IDG | 268,600 | (174,800) |
| | Federal | 276,500 | (237,000) |
| | Restricted | 49,800 | 600 |
| | GF/GP | \$2,011,600 | \$2,300 |
| 15. Groundwater/Freshwater Protection Program | FTEs | 15.0 | 0.0 |
| House appropriates \$5,255,100; reduces federal funding to reflect actual anticipated revenue. Restricted revenue from Freshwater protection fund. | Gross | \$5,472,500 | (\$217,400) |
| | Federal | 467,800 | (252,300) |
| | Restricted | 5,004,700 | 34,900 |
| 16. Technical Assistance Match | Gross | \$252,600 | (\$252,600) |
| Line item supports technicians, working out of local conservation districts, who assist farmers and landowners in completing federally-funded Natural Resources Conservation Service contracts. House does not include. | GF/GP | \$252,600 | (\$252,600) |
| 17. Local Conservation Districts | Gross | \$458,400 | (\$158,400) |
| Reduces state support to \$300,000 GF/GP. The Senate did not include. | GF/GP | \$458,400 | (\$158,400) |
| 18. Aquifer Protection Program | Gross | \$50,000 | (\$50,000) |
| Eliminates IDG grant funding from the Department of Environmental Quality. | IDG | 50,000 | (50,000) |
| 19. Water Withdrawal Assessment Program | Gross | \$130,000 | (\$130,000) |
| Eliminates this line item that was new in the current year budget. | GF/GP | \$130,000 | (\$130,000) |

| Major Budget Changes From FY 2008-09 YTD Appropriations | | FY 2008-09 YTD | House Change From YTD |
|--|--------------------|--------------------------|--------------------------------------|
| 20. Laboratory Services | | FTEs 63.0 | 0.0 |
| House appropriates \$5,993,100; replaces \$519,700 SSFF revenue with AEIDF. The Senate retains SSFF funding. | | Gross \$6,218,800 | (\$285,700) |
| | | IDG 189,100 | 0 |
| | | Federal 916,200 | 0 |
| | | Restricted 2,276,400 | 54,200 |
| | | GF/GP \$2,837,100 | (\$339,900) |
| 21. Consumer Protection Program | | FTEs 51.0 | 0.0 |
| Supports motor fuel quality, weights and measures, and metrology laboratory. Restricted revenue from Gasoline inspection and testing fees, Refined petroleum fund, and Weights and measures regulatory fees. Increase reflects economic adjustments. | | Gross \$5,135,200 | \$101,700 |
| | | Restricted 5,134,800 | 102,100 |
| | | GF/GP \$400 | (\$400) |
| 22. Agriculture Development | | FTEs 6.0 | 0.0 |
| House appropriates \$2,227,100; replaces \$350,700 SSFF revenue with GF/GP. Recognizes new \$1.3 million federal specialty crop block grant. | | Gross \$1,072,000 | \$1,155,100 |
| | | IDG 0 | 400,000 |
| | | Private 10,800 | 100 |
| | | Federal 275,200 | 1,304,100 |
| | | Restricted 606,400 | (346,900) |
| | | GF/GP \$179,600 | (\$202,200) |
| The H-1 substitute reduced GF/GP support by \$400,000 from the Executive recommendation, offset through IDG funding from the Michigan Department of Energy Labor and Economic Growth. | | | |
| 23. Michigan Agricultural Surplus System (Food Bank) | | Gross \$630,500 | \$0 |
| Retains current-year funding but replaces IDG with GF/GP funding | | IDG 150,000 | (150,000) |
| | | GF/GP \$480,500 | \$150,000 |
| 24. Upper Peninsula State Fair | | FTEs 6.0 | (6.0) |
| Executive Order 2009-4 would abolish the Upper Peninsula State Fair as a Type II agency within the department; the House concurs with the Executive and eliminates the state appropriation. | | Gross \$1,372,600 | (\$1,372,600) |
| | | Restricted 1,372,600 | (1,372,600) |
| 25. Horse Racing and Producer Security | | FTEs 9.5 | 0.0 |
| Current year funding includes \$1,011,100 SSFF revenue, replaced in proposed budget with \$683,800 AEIDF and \$301,000 GF/GP. | | Gross \$1,154,600 | \$14,300 |
| | | Restricted 1,154,600 | (286,700) |
| | | GF/GP \$0 | \$301,000 |
| 26. Premiums – County and State Fairs | | Gross \$147,200 | \$1,228,200 |
| House/Senate retain support for fair awards and premiums – funded entirely from State Services Fee Fund revenue in the current year budget. | | Restricted 147,200 | 1,228,200 |
| 27. Building and Track Improvements | | Gross \$0 | \$480,000 |
| House/Senate add support for this line – funded entirely from State Services Fee Fund revenue in the current year budget. | | Restricted 0 | 480,000 |
| 28. Horse Industry Programs | | Gross \$7,580,800 | \$305,100 |
| House concurs with Senate in appropriation of AEIDF revenue for horse racing programs. The Executive recommends only \$3.1 million for these programs. | | Restricted 7,580,800 | 305,100 |
| | | | |
| | <u>FY 09</u> | <u>FY 10 House</u> | |
| Purses & supplements-fairs/licensed tracks | 1,370,000 | 1,839,400 | |
| Licensed tracks - light horse racing | 117,000 | 102,500 | |
| Standardbred (SB) breeders' awards | 969,000 | 752,100 | |
| SB purses/supplements-licensed tracks | 1,789,300 | 1,388,800 | |
| SB sire stakes | 810,000 | 628,600 | |
| Thoroughbred sire stakes | 830,000 | 644,200 | |
| SB training and stabling | 36,000 | 27,900 | |
| Thoroughbred program | 835,500 | 1,862,800 | |
| Thoroughbred owners' awards | 124,000 | 96,300 | |
| Distribution of outstanding winning tickets | 700,000 | 543,300 | |
| Total | \$7,580,800 | \$7,885,900 | |

| <u>Major Budget Changes From FY 2008-09 YTD Appropriations</u> | | <u>FY 2008-09 YTD</u> | <u>House Change From YTD</u> |
|---|--------------|------------------------------|---|
| 29. Office of Racing Commissioner | FTEs | 30.0 | 0.0 |
| The Executive recommends funding this line with AEIDF. The Senate uses SSSF. The House bill includes \$100 point of difference in fund sources. | Gross | \$2,579,500 | \$120,500 |
| | Restricted | 2,579,500 | 120,500 |
| 30. Information Technology | Gross | \$1,435,700 | \$283,200 |
| Economic increases of \$38,800; eliminates Upper Peninsula State Fair revenue as fund source (\$900); recognizes costs of Microsoft upgrades, \$86,200; and One-stop permit portal, \$74,900. Replaces \$1,063,500 SSFF revenue with GF/GP. | IDG | 2,800 | 0 |
| | Restricted | 1,296,700 | (887,200) |
| | GF/GP | \$136,200 | \$1,170,400 |
| 31. Capital Outlay–Farmland/Open Space Development Acquisition | Gross | \$3,750,000 | \$0 |
| Retains current year funding and funds sources. State restricted funds in line are from Agriculture Preservation Fund. | Federal | 1,250,000 | 0 |
| | Restricted | 2,500,000 | 0 |
| 32. Economics | Gross | N/A | \$1,418,400 |
| Recognizes \$1.4 million (net) for economic increases: \$1,470,800 for employee economics; \$38,800 for information technology; and a \$91,200 reduction in building occupancy charges. | IDG | N/A | 1,300 |
| | Federal | N/A | 166,700 |
| | Private | N/A | 6,000 |
| | Restricted | N/A | 492,700 |
| | GF/GP | N/A | \$751,700 |

Major Boilerplate Changes From FY 2008-09

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|---|
| <p>Sec. 212. Indemnification Payments – MODIFIED House does not include subsection (2) which authorizes Department to indemnify for livestock killed by wolves, coyotes, or cougars and to expend funds received from Department of Natural Resources.</p> |
| <p>Sec. 228. Contingency Appropriations – RETAINED Includes \$5.0 million federal, \$6.0 million state restricted, and \$100,000 each local and private.</p> |
| <p>Sec. 225. Agriculture and Livestock Education Pavilion – RETAINED Indicates legislative intent that Department explore opportunities to expand facilities and size of MSU Pavilion for Agriculture and Livestock Education.</p> |
| <p>Sec. 231. Management Service – NOT INCLUDED Establishes baseline level of direct service Department employees.</p> |
| <p>Sec. 232. Implement Continuous Improvements – NOT INCLUDED Requires report by Department director on continuous improvement.</p> |
| <p>New section: Sec. 236. All appropriations in part 1 from the agriculture equine industry development fund shall be spent for equine-related purposes.</p> |
| <p>New section: Sec. 237. Not later than September 30, 2010, the department shall prepare and transmit a report that provides for estimates of the total general fund/general purpose appropriation lapses at the close of the fiscal year. This report shall summarize the projected year-end general fund/general purpose appropriation lapses by major departmental program or program areas. The report shall be transmitted to the office of the state budget, the chairpersons of the senate and house appropriations committees, and the senate and house fiscal agencies.</p> |
| <p>Sec. 401. Restaurant Inspection and Licensing – RETAINED Requires Department to monitor restaurant inspection/licensing activities conducted by locals and report to Legislature.</p> |
| <p>Sec. 407. Carry Forward for Food and Dairy E-inspector Program – NOT INCLUDED Directs that funds from FY 2007-08 budget not lapse, but be carried forward as a work project for the e-inspector program</p> |
| <p>Sec. 460. [Senate Bill] Aquaculture – NOT INCLUDED House does not include new directive from Senate bill prohibiting reductions in Aquaculture program.</p> |
| <p>Sec. 604. Local Soil Conservation Districts – MODIFIED Sets limit of \$11,605 per local conservation district.</p> |
| <p>Sec. 605. Technical Assistance Match – NOT INCLUDED House does not include line item or related boilerplate.</p> |
| <p>New section: Sec. 609. From the funds appropriated in section 107 for environmental stewardship, not less than \$700,000.00 shall be expended for inspection and licensing activities related to migrant labor housing. The department shall work with the agriculture industry to identify means and methods of sustaining the migrant labor housing inspection program.</p> |
| <p>Sec. 805. Agriculture Equine Fund Prorated Reductions – RETAINED Requires that department make proportionate reductions in all appropriations from the AEIDF if revenue falls.</p> |
| <p>Sec. 812. [Senate Bill] Agriculture Equine Fund Payments – NOT INCLUDED House does not include new section from Senate bill referencing "timely payments."</p> |
| <p>Sec. 901. Criminal Activity Information Rewards – NOT INCLUDED Allows racing commissioner to pay rewards up to \$5,800 to individuals who provide information on criminal activity involving the horse racing industry.</p> |
| <p>Sec. 902. Thoroughbred Program Escrow – NOT INCLUDED Provides for "escrowing" of funds for thoroughbred program.</p> |
| <p>Sec. 903. [Senate Bill] Administrative Rule Notice – NOT INCLUDED House does not include new section from Senate bill requiring additional notice of intent to file administrative rules.</p> |
| <p>New section: Sec. 904. It is the intent of the legislature that the office of racing commissioner no longer be designated as a type I agency and be administered as part of the department for budgetary savings.</p> |
| <p>New section: Sec. 215. House adds new transparency language.</p> |
| <p>New section: Sec. 238. House adds new FTE report.</p> |