

AGRICULTURE

Summary: FY 2009-10

House Substitute for Senate Bill 237 (H-1) Draft 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	\$285,700		(\$9,253,500)	(97.0)
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	40,472,900		(2,671,900)	(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	\$87,009,900		(\$11,824,300)	(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 recommendation for the FY 2009-10 Agriculture budget reflected elimination, reduction, or shifting several revenue sources. The most significant of those changes, and how those changes were addressed in the House substitute for Senate Bill 237, are described further below:

Interdepartment Grants (IDGs) represent funding provided by one department or budget from funds appropriated in another department or budget. The House bill follows the Executive recommendation and eliminates IDG funding in several program lines to reflect actual anticipated revenue. The bill does not include the IDG from the Department of Community Health (DCH), local public health operations – \$8.9 million in the current year. This is a technical adjustment. This IDG had been a placeholder; it was not used to provide actual funding for the department. Actual funding for local public health agencies was provided in the DCH budget. Elimination of the IDG will not affect the Department of Agriculture's role in overseeing food inspection programs of local public health agencies, or local public health agencies functions in carrying out those programs. The bill also eliminates an IDG from the Department of Environmental Quality – \$159,100 in the current year – for Michigan Agriculture Environmental Assessment Program (MAEAP); the department indicates that this appropriation has not been supported with actual revenue.

Federal revenue – Appropriations would be adjusted to reflect anticipated grant revenue. The net \$1.8 million reduction in federal revenue is primarily due to continuing reduction in federal support for the Emerald Ash Borer Program. The House bill recognizes a \$1.3 million USDA specialty crop grant secured by the department but not included in the original Executive recommendation.

State Service Fee Fund – State Services Fee Fund (SSFF) revenue is generated primarily from an annual assessment fees paid by the three Detroit casinos under the authority of the Michigan Gaming Control and Revenue Act (1997 PA 69).

SSFF revenue was first appropriated in the Agriculture budget in FY 2001-02 to offset reductions in both General Fund/General Purpose (GF/GP) support and reductions in Agriculture Equine Industry Development Fund (AEIDF) revenue. In FY 2001-02 SSFF revenue replaced \$1.6 million in GF/GP funding for County and State Fair premiums, and partially replaced AEIDF funding for the Office of Racing Commissioner. Starting in FY 2004-05, SSFF revenue provided the entire support, \$3.6 million, for the Office of Racing Commissioner.

Prior to Executive Order 2009-22, \$9.2 million in SSFF revenue had been appropriated in support of a number of appropriation line items: Executive direction, Rent and building occupancy, Laboratory program, Agriculture development, Horse racing and producer security, Information technology, Premiums – County and State fairs, and the Office of Racing Commissioner.

The Governor's FY 2009-10 budget would eliminate all SSFF in the Agriculture budget. The Governor proposed replacing some SSFF appropriations with a combination of state GF/GP (\$2.4 million) and AEIDF revenue (\$4.9 million). The largest of these fund shifts would be in support for the Office of Racing Commissioner; SSFF support would be replaced with AEIDF funding. Premiums – County and State Fairs, currently funded with \$1.6 million in SSFF revenue, would be eliminated. The House bill retains SSFF for the Office of Racing Commissioner, Premiums – County and State Fairs, and Building and Track Improvements at County fairs.

Agriculture Equine Industry Development Fund – The House bill appropriates \$8.8 million for Horse racing programs. The House bill follows the Executive and eliminates use of AEIDF funding in the Animal Industry/Bovine Tuberculosis line items. *Upper Peninsula State Fair* – The proposed elimination of state support of the Upper Peninsula State Fair would eliminate \$1.4 million in related restricted revenue spending authority from the budget. [The Michigan State Fair in Detroit is in the General Government budget.] The House bill concurs with the Executive.

Dairy Inspection Fees – The Executive proposes amendments to the Grade A Milk Law of 2001 and the Manufacturing Milk Law of 2001 to replace the current \$5 per farm dairy inspection fee with a fee of one cent per hundred pounds of milk sold. The proposed change would increase state restricted Food and Dairy Safety Fund revenue by \$700,000 to offset a proposed reduction in GF/GP support for the department's dairy inspection program. The House bill recognizes the increased Dairy inspection fees.

<u>Major Budget Changes From FY 2008-09 YTD Appropriations</u>		<u>FY 2008-09 YTD</u>	<u>House Change From YTD</u>
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
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)

<u>Major Budget Changes From FY 2008-09 YTD Appropriations</u>		<u>FY 2008-09 YTD</u>	<u>House Change From YTD</u>
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 \$12,739,600; reflects anticipated additional federal grant revenue. House reflects Executive proposal to offset a \$700,000 reduction in GF/GP support with milk inspection fee revenue generated from a proposed alternative inspection fee. Line item represents the largest share of GF/GP funding in this budget.	Gross	\$12,748,000	(\$8,400)
	Federal	557,400	(86,900)
	Restricted	2,988,800	750,300
	GF/GP	\$9,201,800	(\$671,800)
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

<u>Major Budget Changes From FY 2008-09 YTD Appropriations</u>		<u>FY 2008-09 YTD</u>	<u>House Change From YTD</u>
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)
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
	Private	10,800	100
	Federal	275,200	1,304,100
	Restricted	606,400	(346,900)
	GF/GP	\$179,600	\$197,800
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

Major Boilerplate Changes From FY 2008-09

<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. <i>Restaurant Inspection and Licensing</i> – RETAINED Requires Department to monitor restaurant inspection/licensing activities conducted by locals and report to Legislature.</p>
<p>Sec. 407. <i>Carry Forward for Food and Dairy E-inspector Program</i> – 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. <i>[Senate Bill] Aquaculture</i> – NOT INCLUDED House does not include new directive from Senate bill prohibiting reductions in Acquaculture program.</p>
<p>Sec. 604. <i>Local Soil Conservation Districts</i> – MODIFIED Sets limit of \$11,605 per local conservation district.</p>
<p>Sec. 605. <i>Technical Assistance Match</i> – 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. <i>Agriculture Equine Fund Prorated Reductions</i> – RETAINED Requires that department make proportionate reductions in all appropriations from the AEIDF if revenue falls.</p>
<p>Sec. 812. <i>[Senate Bill] Agriculture Equine Fund Payments</i> – NOT INCLUDED House does not included new section from Senate bill referencing "timely payments."</p>
<p>Sec. 901. <i>Criminal Activity Information Rewards</i> – 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. <i>Thoroughbred Program Escrow</i> – NOT INCLUDED Provides for "escrowing" of funds for thoroughbred program.</p>
<p>Sec. 903. <i>[Senate Bill] Administrative Rule Notice</i> – NOT INCLUDED House does not included 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>