

**Summary: Executive Budget Recommendation
for Fiscal Year 2017-18**

DEPARTMENT: AGRICULTURE AND RURAL DEVELOPMENT



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	FY 2016-17 Year-to-Date as of 2/8/17	FY 2017-18 Executive	Difference: FY 2017-18 Vs. FY 2016-17	
			Amount	%
IDG/IDT	\$323,200	\$310,300	(\$12,900)	(4.0)
Federal	10,471,200	11,273,900	802,700	7.7
Local	0	0	0	0
Private	130,700	101,600	(29,100)	(22.3)
Restricted	35,054,900	36,661,000	1,606,100	4.6
GF/GP	49,926,900	56,582,000	6,655,100	13.3
Gross	\$95,906,900	\$104,928,800	\$9,021,900	9.4
FTEs	482.0	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.

Major Budget Changes From FY 2016-17 Year-to-Date (YTD) Appropriations	FY 2016-17 YTD (as of 2/8/17)	Executive Change from YTD
1. Emergency Management Increases GF/GP support by \$359,700 and includes 1.0 additional FTE position for program that coordinates preparation for and response to emergencies that affect the state's food and agriculture industries.	FTEs 3.0 Gross \$614,600 Federal 331,900 GF/GP \$282,700	1.0 \$359,700 0 \$359,700
2. Operational Services Increases GF/GP support by \$107,700 and includes 1.0 additional FTE position for MDARD's <i>Operations services</i> and <i>Central licensing</i> divisions.	FTEs 19.0 Gross \$1,882,700 Restricted 792,600 GF/GP \$1,090,100	1.0 \$107,700 0 \$107,700
3. Statistical Reporting Service Increases GF/GP support by \$80,000 to offset decline in private revenue support.	FTEs 1.0 Gross \$153,600 Private 79,100 GF/GP \$74,500	0.0 \$50,700 (29,300) \$80,000
4. Food and Dairy – Food Safety Quality Assurance Increases GF/GP support by \$671,300 and includes 1.0 additional FTE position to assist producers in implementing federal Food Safety Modernization Act (FSMA) requirements. [Increases related to FSMA implementation programs total \$1.1 million (\$980,000 GF/GP) and 4.0 FTE positions across several line items.]	FTEs 93.0 Gross \$14,006,400 Federal 1,274,100 Restricted 4,690,600 GF/GP \$8,041,700	1.0 \$671,300 0 0 \$671,300
5. Food and Dairy – Milk Safety Quality Assurance Increases GF/GP support by \$166,600 and includes 1.0 additional FTE position to reflect additional workload as a result of changes in federal re-inspection requirements to ensure compliance with the Pasteurized Milk Ordinance.	FTEs 30.0 Gross \$4,260,100 Federal 56,000 Restricted 219,300 GF/GP \$3,984,800	1.0 \$166,600 0 0 \$166,600

Major Budget Changes From FY 2016-17 Year-to-Date (YTD) Appropriations	FY 2016-17 YTD (as of 2/8/17)	Executive Change from YTD
6. Animal Industry – Animal Health and Disease Response		
Increases GF/GP support by \$164,700 and includes 1.0 additional FTE position.	FTEs 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
	Gross \$899,000	(\$500,000)
	GF/GP \$899,000	(\$500,000)
7. Animal Agriculture Initiative		
This line, which was 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 Extension projects related to animal agriculture. The Governor's proposed budget eliminates \$500,000 in one-time funding but retains \$399,000 shown as ongoing.		
8. Bovine Tuberculosis (TB) – Wildlife Risk Mitigation	Gross \$0	\$1,000,000
Includes \$1.0 million GF/GP, identified as one-time, for a cost share program with local conservation districts to assist livestock producers in identifying and implementing practices to reduce the spread of Bovine TB.	GF/GP \$0	\$1,000,000
9. Pesticide and Plant Pest Management (PPPM)		
Provides additional GF/GP and restricted Commodity inspection fee support and 2.0 additional FTE positions to assist producers in implementing FSMA requirements.	FTEs 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		
Reduces GF/GP support by \$259,000 but recognizes 2.0 additional FTE positions; retains \$1.5 million in restricted Freshwater Protection fund revenue that was added to current year budget in supplemental appropriation act, Public Act 340 of 2016.	FTEs 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. The Governor's proposed budget reduces GF/GP support by \$120,000 but retains 3.0 FTE positions and \$305,600 from Agriculture Preservation Fund added to the current year budget in supplemental appropriation act, Public Act 340 of 2016.	FTE 10.0	0.0
	Gross \$1,727,700	(\$120,000)
	Restricted 1,400,000	0
	GF/GP \$327,700	(\$120,000)
12. Intercounty Drain		
Increases GF/GP support by \$315,100 and includes 2.0 additional FTE positions for ongoing intercounty drain program.	FTEs 4.0	2.0
	Gross \$484,400	\$315,100
	GF/GP \$484,400	\$315,100
13. Intercounty Drain Mapping Project (One-Time)		
Provides \$250,000 GF/GP to help establish state standard drainage infrastructure mapping tool.	Gross \$0	\$250,000
	GF/GP \$0	\$250,000
14. Qualified Forest Program		
Increases gross appropriation by \$100,000; a \$90,000 reduction in GF/GP support is offset by recognition of \$190,000 in additional revenue from the Private Forestland Enhancement Fund.	FTE 9.0	0.0
	Gross \$2,582,700	\$100,000
	Restricted 288,200	190,000
	GF/GP \$2,294,500	(\$90,000)
15. Right to Farm		
Increases GF/GP support by \$384,000 and includes 3.5 additional FTE positions in anticipation of increased workload related to siting of new or expanded livestock operations; reduces Interdepartmental grant revenue to better align with anticipated revenue.	FTEs 3.0	3.5
	Gross \$577,600	\$369,000
	IDG 103,100	(15,000)
	GF/GP \$474,500	\$384,000

Major Budget Changes From FY 2016-17 Year-to-Date (YTD) Appropriations	FY 2016-17 YTD (as of 2/8/17)		Executive Change from YTD
16. Agriculture Development	FTEs	11.0	1.0
Increases GF/GP support by \$408,500 and adds 1.0 additional FTE position. See related boilerplate, Section 706.	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. The Governor's proposed budget eliminates one-time GF/GP funding.	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	\$1,243,900
The FY 2016-17 budget had included \$1.5 million GF/GP for a competitive value-added grant program – \$500,000 as ongoing and \$1.0 million shown as one-time. The Governor's proposed budget would provide \$2.7 million GF/GP for similar grant program, renamed the Food and Agriculture Investment Program. The program would be defined and governed by boilerplate, Section 711.	GF/GP	\$1,500,000	\$1,243,900
19. Rural Development Fund Grant Program	FTE	1.0	0.0
Retains grant program that was new in the FY 2016-17 budget; supported with restricted revenue from a non-ferrous metals extraction tax established in Public Act 410 of 2012.	Gross	\$2,000,000	\$0
	Restricted	2,000,000	0
	GF/GP	\$0	0
20. County Fairs, Shows, Expositions Grants	Gross	\$470,000	(\$170,000)
Reduces GF/GP funding by \$170,000 for program that provides matching capital grants to eligible county fairs, shows, and expositions.	GF/GP	\$470,000	(\$170,000)
21. Tree Fruit Research/Commission	Gross	\$500,000	\$1,000,000
The FY 2016-17 budget includes \$500,000 GF/GP, identified as one-time, for tree fruit research grants. The Governor's proposed budget would provide \$1.5 million in one-time funding to the Michigan Tree Fruit Commission for capital improvements to Michigan State University tree fruit research facilities.	GF/GP	\$500,000	\$1,000,000
22. Vital Agriculture Infrastructure Grant (One-Time)	Gross	\$220,000	(\$220,000)
Eliminates one-time earmark for local capital construction project.	GF/GP	\$220,000	(\$220,000)
23. Double-Up Food Bucks (One-Time)	Gross	\$0	\$1,430,100
Includes one-time support for new program of which \$750,000 is identified for expansion of "Double-up Food Bucks" nutrition incentive program; \$680,100 is specific to the Flint Drinking Water Declaration of Emergency. Funding also in proposed FY 2016-17 supplemental.	Restricted	0	100
	GF/GP	\$0	\$1,430,000
24. Technical and Revenue Adjustments	Gross	NA	\$1,863,000
Includes various technical and revenue adjustments so that appropriated revenue better reflects anticipated revenue sources.	Federal	NA	775,000
	Restricted	NA	1,101,400
	GF/GP	NA	(\$13,400)
25. Economics	Gross		\$676,200
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.	IDG		2,100
	Federal		27,700
	Private		200
	Restricted		172,400
	GF/GP		\$473,800

Major Boilerplate Changes From FY 2016-17

Sec. 403. FSMA Program – DELETED

Deletes section indicating legislative intent that the department established FSMA education and training program and which authorized use of federal funds in addition to those appropriated in Part 1.

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

Deletes section which required 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.

Sec. 453. Indemnification Payments – DELETED

Deletes language requiring specific appropriation for indemnification payments that exceed \$100,000; deletes requirement that report identify persons to whom indemnification is paid.

Sec. 457. Bovine TB Quarterly Report – DELETED

Deletes specific Bovine TB reporting requirement.

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

Deletes section that 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.

Sec. 652. Laboratory Program Turnaround Times – DELETED

Deletes section that established laboratory turnaround time metrics.

Sec. 701. Value Added Grant Program – DELETED

Deletes current language that had defined program which is not included in the Governor's proposed budget.

Sec. 702. Rural Development Fund/Program – DELETED

Deletes section that directs department to work with Rural Development Fund Board.

Sec. 706. Agriculture Development Report – REVISED

Includes new metrics on increased trade show and export business visit attendance.

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

Deletes current reporting requirement.

Sec. 711. Food and Agriculture Investment Program – NEW

Directs department to establish new 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.

Sec. 901. Double-Up Food Bucks/Flint Drinking Water Emergency – NEW

New section identifies eligible uses of one-time Double-up Food Bucks program funds specific to the Flint Drinking Water Declaration of Emergency.

<u>Supplemental Recommendations for FY 2016-17 Appropriations</u>	<u>FY 2016-17 Recommendation</u>	
1. Double-Up Food Bucks (One-Time)	Gross	\$750,000
Includes \$750,000 GF/GP, identified as one-time, to match a three-year federal USDA Food Insecurity Nutrition Incentives Grant.	GF/GP	\$750,000