

**FY 2015-16: AGRICULTURE AND RURAL DEVELOPMENT**  
**Summary: Conference Agreement**  
**Senate Bill 115 (S-2) CR-1\***



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IDG/IDT	FY 2014-15 YTD as of 5/26/15	FY 2015-16 Executive	FY 2015-16 House	FY 2015-16 Senate	FY 2015-16 Conference	Difference: Conference From FY 2014-15 YTD	
						Amount	%
<b>IDG/IDT</b>	\$318,100	\$317,300	\$317,300	\$317,300	\$317,300	(\$800)	(0.3)
<b>Federal</b>	10,176,200	10,427,900	10,427,900	10,427,900	10,427,900	251,700	2.5
<b>Local</b>	0	0	0	0	0	0	--
<b>Private</b>	98,300	128,100	128,100	128,100	128,100	29,800	30.3
<b>Restricted</b>	28,143,400	30,897,100	32,047,100	27,641,300	32,647,100	4,503,700	16.0
<b>GF/GP</b>	45,316,200	42,373,600	42,373,600	42,573,600	43,073,600	(2,242,600)	(4.9)
<b>Gross</b>	<b>\$84,052,200</b>	<b>\$84,144,000</b>	<b>\$85,294,000</b>	<b>\$81,088,200</b>	<b>\$86,594,000</b>	<b>\$2,541,800</b>	<b>3.0</b>
<b>FTEs</b>	452.0	460.0	460.0	452.0	460.0	8.0	1.8

Notes: FY 2014-15 adjusted year-to-date figures include mid-year budget adjustments through May 26, 2015 (including Executive Order 2015-5 and House Bill 4112). Appropriation figures include all proposed appropriation amounts, including amounts designated as "one-time."

**Overview**

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.

**Note:**

Conference Committee meeting on Wednesday, May 27, 2015, agreed on Conference report, **Senate Bill 115 (S-2) CR-1\***. **Senate Bill 115** was a stand-alone bill to provide appropriations for the Michigan Department of Agriculture and Rural Development (MDARD). However, the bill as passed the Senate on May 7, 2015 was essentially a shell bill – it shows Gross appropriations of only \$100. The bill was returned by the House on May 19, 2015 as a shell bill – the House-passed bill shows Gross appropriations of \$0.

The real differences between the House and Senate transportation budgets, as shown in the balance of this document, are between the two omnibus budget bills – **Article I of House Bill 4102 (H-1)** and **Article I of Senate Bill 133 (S-1)**. In effect, Conference report **Senate Bill 132 (S-2) CR-1\***, resolves the differences between the House and Senate omnibus budget bills with respect to the MDARD budget.

**Major Budget Changes From FY 2014-15 YTD Appropriations**

<b>FY 2014-15 Year-to-Date (as of 5/26/15)</b>	<b>FY 2015-16 Conference Change</b>
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**1. Food Safety and Quality Assurance**

Executive recognized \$1.5 million related to proposed increases in the food licensing and inspection fees. These fees support department food safety programs. Executive had also authorized an additional 8.0 FTE positions.

FTEs	83.0	8.0
<b>Gross</b>	<b>\$12,378,200</b>	<b>\$1,159,600</b>
Federal	1,255,000	(4,100)
Restricted	3,432,000	1,188,500
GF/GP	\$7,691,200	(\$24,800)

House concurs with Executive. Increased fee revenue would be put into effect through House Bill 4470, a bill to amend the Food Law of 2000.

Senate did not recognize additional fee revenue.

Conference concurs with Executive/House.

[House, Senate, and Conference also reflect the following changes as compared to current year: Redirection of \$347,100 in Dairy and Food Safety Fund revenue to Operational Services; a \$31,300 increase in Consumer and Industry Food Safety Education fund support to reflect new allergen awareness requirements for food safety training programs under 2014 amendments to the Food Law of 2000 (Senate Bill 730 enacted as 2014 PA 516); economic adjustments which net to a \$39,000 Gross (\$24,800 GF/GP) decrease in anticipated program cost.]

**2. Milk Safety and Quality Assurance**

Executive reflects the redirection of \$37,900 in Dairy and Food Safety Fund revenue to Operational Services, and economic adjustments netting to a \$10,700 Gross (\$9,900 GF/GP) decrease in anticipated program cost.

FTEs	30.0	0.0
<b>Gross</b>	<b>\$4,219,200</b>	<b>(\$48,600)</b>
Federal	55,000	(100)
Restricted	253,200	(38,600)
GF/GP	\$3,911,000	(\$9,900)

House/Senate and Conference concur with Executive.

**3. Animal Industry - Disease Prevention and Response**

Executive reflects the redirection of \$11,000 in Licensing and Inspection Fee revenue to Operational Services, \$69,400; increased restricted and federal revenue to better align budget to actual anticipated revenue; and economic adjustments netting to a \$14,000 Gross (\$12,500 GF/GP) decrease in anticipated program cost.

FTEs	60.0	0.0
<b>Gross</b>	<b>\$8,836,600</b>	<b>\$44,400</b>
Federal	565,400	18,800
Restricted	257,800	38,100
GF/GP	\$8,013,400	(\$12,500)

House/Senate and Conference concur with Executive.

**4. Pesticide and Plant Pest Management (PPPM)**

Executive included \$1.2 million in proposed increases in pesticide, fertilizer, and feed licensing and regulatory fees used to support department's PPPM programs.

FTEs	81.0	(1.0)
<b>Gross</b>	<b>\$12,181,800</b>	<b>\$1,089,300</b>
Federal	1,901,100	(5,300)
Private	20,700	100
Restricted	4,666,200	1,110,600
GF/GP	\$5,593,800	(\$16,100)

House concurs with the Executive. Additional fee revenue would be provided through bills to amend the Commercial Feed Law (House Bill 4451), and parts 83 and 85 of the Michigan NREPA (House Bill 4391).

Senate did not recognize revenue from proposed statutory fee increases.

Conference concurs with Executive/House.

[House, Senate, and Conference also reflect the following changes as compared to current year: Redirection of \$169,500 in Licensing and Inspection Fee revenue to Operational Services; \$72,900 increase in Commodity and Inspection Fee revenue to better align budget with anticipated revenue; economic adjustments netting to \$34,100 Gross (\$16,100 GF/GP) decrease in anticipated program cost. Reduction of one FTE is a technical adjustment.]

**Major Budget Changes From FY 2014-15 YTD Appropriations**

**5. Environmental Stewardship/MAEAP/Local Conservation Districts**  
House and Senate concur with Executive in rolling up three current line items into a single line encompassing the department's conservation and freshwater protection programs, including MAEAP. These programs are supported by restricted Freshwater Protection Fund, federal grant funding, and state GF/GP revenue. The line is defined in boilerplate Section 601. [The FY 2014-15 YTD figure shows three current line items as if they were already rolled up in order to show changes in baseline funding.]

	FY 2014-15 Year-to-Date (as of 5/26/15)	FY 2015-16 Conference Change
FTEs	23.0	0.0
<b>Gross</b>	<b>\$7,844,000</b>	<b>\$1,284,500</b>
Federal	1,343,200	294,800
Restricted	5,153,000	989,800
GF/GP	\$1,347,800	(\$100)

House included \$1.0 million additional Freshwater Protection Fund revenue as compared to Executive. This reflects increases in certain water quality protection fees that would be provided through House Bill 4391, a bill to amend the Natural Resources and Environmental Protection Act. House Bill 4391 would also extend current sunset dates.

Senate concurs with the Executive; did not include \$1.0 million increase in water quality protection fees for MAEAP.

Conference concurs with House.

[House, Senate, and Conference also reflect \$300,000 federal Environmental Protection Agency (EPA) grant related to Western Lake Erie Basin projects, and \$140,000 state restricted related to a contract with Bayer CropScience LP.]

**6. Qualified Forest Program**

Executive had recognized \$100,000 increase in restricted revenue from the Private Forestland Development Fund to offset reduction in GF/GP.

FTE	9.0	0.0
<b>Gross</b>	<b>\$2,535,000</b>	<b>\$147,500</b>
Restricted	35,000	249,900
GF/GP	\$2,500,000	(\$102,400)

House recognizes \$250,000 increase in restricted revenue to offset decrease in GF/GP - \$150,000 more than Executive; redirects \$150,000 GF/GP to Commercial Forestry Audit.

Senate concurs with Executive and recognizes only \$100,000 fund shift.

Conference concurs with Executive/Senate with respect to GF/GP; also includes \$150,000 additional restricted revenue.

[House, Senate, and Conference also reflect economic adjustments which net to a \$2,500 Gross (\$2,400 GF/GP) decrease in anticipated program costs.]

**7. Commercial Forestry Audit Program**

Executive budget would eliminates funding for this program.

<b>Gross</b>	<b>\$150,000</b>	<b>\$150,000</b>
GF/GP	\$150,000	\$150,000

House/Senate/Conference include \$300,000 GF/GP to provide for the final two years of the three-year commercial forestry audit. (See related boilerplate Sec. 609.)

**8. Agriculture Development**

Program assists with local and regional economic development activities, including promotion of agricultural exports. Executive budget reflects economic adjustments. House/Senate/Conference concur with Executive.

FTEs	11.0	0.0
<b>Gross</b>	<b>\$3,579,500</b>	<b>(\$2,800)</b>
Federal	2,300,000	(1,800)
Restricted	86,800	(200)
GF/GP	\$1,192,700	(\$800)

<b>Major Budget Changes From FY 2014-15 YTD Appropriations</b>		<b>FY 2014-15 Year-to-Date (as of 5/26/15)</b>	<b>FY 2015-16 Conference Change</b>
<b>9. Rural Development Value-Added/Strategic Growth Initiative</b>	<b>Gross</b>	<b>\$2,050,000</b>	<b>(\$850,000)</b>
<u>Executive</u> budget would combine two current year grant programs, Rural Development Value-Added grants, and Food and Agriculture Industry Growth Initiative, into a single line-item grant program, Strategic growth initiative, funded at \$1.1 million GF/GP. This is \$950,000 less than the current total funding for the two combined programs. The FY 2014-15 Adjusted Year-To-Date figure to the right is the total for the two current year line items.	GF/GP	\$2,050,000	(\$850,000)
<u>House</u> concurs with <u>Executive</u> .			
<u>Senate</u> retains funding for both grant programs.			
<u>Conference</u> retains a single grant program line, <i>Rural development value-added</i> , funded at \$1.2 million GF/GP - \$650,000 in the <i>Agriculture development</i> appropriations unit, and \$550,000 in the <i>One-time basis only</i> appropriations unit.			
<b>10. Horse Racing Programs</b>	FTEs	3.0	(2.0)
These programs are supported through the Agriculture Equine Industry Development Fund (AEIDF).	<b>Gross</b>	<b>\$3,167,300</b>	<b>\$499,900</b>
	Restricted	3,167,300	499,900
<u>Executive</u> reduced AEIDF support and 2.0 FTE positions related to fairs and racing administration functions, but retained current year funding for horse racing awards and purse supplements.			
<u>House/Senate</u> concur with <u>Executive</u> .			
<u>Conference</u> provides an additional \$600,000 AEIDF for horse purse supplements. It is not clear if AEIDF revenue will support this increased appropriation.			
<b>11. County Fairs Capital Improvement Grants</b>	<b>Gross</b>	<b>\$320,000</b>	<b>(\$20,000)</b>
<u>House</u> concurs with <u>Executive</u> and reduces funding to \$170,000.	GF/GP	\$320,000	(\$20,000)
<u>Senate</u> includes \$300,000 for the program.			
<u>Conference</u> concurs with <u>Senate</u> .			
<b>12. Shows and Expositions</b>	<b>Gross</b>	<b>\$50,000</b>	<b>(\$30,000)</b>
<u>House</u> concurs with <u>Executive</u> and eliminates grant program.	GF/GP	\$50,000	(\$30,000)
<u>Senate</u> includes \$20,000 for the program.			
<u>Conference</u> concurs with <u>Senate</u> .			
<b>13. Food &amp; Agriculture Industry Strategic Growth Initiative (One-Time)</b>	<b>Gross</b>	<b>\$1,400,000</b>	<b>(\$1,400,000)</b>
<u>Executive</u> eliminates one-time GF/GP competitive grant program. [The original appropriation was \$2.0 million; funding was reduced by \$600,000 by Executive Order 2015-5.]	GF/GP	\$1,400,000	(\$1,400,000)
<u>House/Senate</u> and <u>Conference</u> concur with <u>Executive</u> .			
<b>14. Muskegon Farmers Market (One-Time)</b>	<b>Gross</b>	<b>\$200,000</b>	<b>(\$200,000)</b>
Eliminates one-time GF/GP authorization.	GF/GP	\$200,000	(\$200,000)
<u>House/Senate</u> and <u>Conference</u> concur with <u>Executive</u> .			
<b>15. Ottawa County Agriculture Incubator (One-Time)</b>	<b>Gross</b>	<b>\$500,000</b>	<b>(\$500,000)</b>
Eliminates one-time GF/GP authorization.	GF/GP	\$500,000	(\$500,000)
<u>House/Senate</u> and <u>Conference</u> concur with <u>Executive</u> .			

<b><u>Major Budget Changes From FY 2014-15 YTD Appropriations</u></b>	<b>FY 2014-15 Year-to-Date (as of 5/26/15)</b>	<b>FY 2015-16 Conference Change</b>	
<b>16. One Item Capital Equipment for Geagley Laboratory – NEW</b>	<b>Gross</b>	<b>\$0</b>	<b>\$150,000</b>
<u>Executive</u> budget included \$500,000 one-time GF/GP funding for laboratory testing equipment.	GF/GP	\$0	\$150,000
<u>House</u> included \$350,000 - \$150,000 GF/GP less than the Governor's proposal.			
<u>Senate</u> did not include.			
<u>Conference</u> includes at \$150,000.			
<b>17. One-Time Tree Fruit Research Grants - NEW</b>	<b>Gross</b>	<b>\$0</b>	<b>\$500,000</b>
New grant program added in <u>Conference</u> .	GF/GP	\$0	\$500,000
<b>18. Economic Adjustments</b>	<b>Gross</b>	<b>NA</b>	<b>(\$167,400)</b>
Reflects net cost reduction of \$167,400 million Gross (\$92,600 GF/GP) for negotiated salary and wage amounts (2.0% base increase), insurance rate increases, reductions in actuarially-determined retirement rates, and other economic adjustments. These adjustments are reflected in a number of appropriation line items, including the items described above.	IDG	NA	(800)
	Federal	NA	(18,100)
	Private	NA	(200)
	Restricted	NA	(55,700)
	GF/GP	NA	(\$92,600)

**Major Boilerplate Changes From FY 2014-15**

**Sec. 303. On-Line Licensing Applications – NEW**

Conference includes language indicating 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.

**Sec. 401. Food Safety and Quality Assurance – NOT INCLUDED**

Executive budget included new section that directed that from the additional funds appropriated for food safety programs in Part 1, from proposed increases in food safety licensing and inspection fees, the department increase the number of inspections at licensed food establishments. The section further directs the department to identify specific outcomes and performance measures. Conference does not include.

**Sec. 402. Food Safety Report – MODIFIED**

Retains the current report on food-borne outbreaks and emergencies related to food safety, but as a part of the department's Food and Dairy annual report. Retains the April 1 reporting due date.

## **Major Boilerplate Changes From FY 2014-15**

### **Sec. 451. Bovine Tuberculosis Split State Status – MODIFIED**

Requires department to pay for all whole-herd and individual-animal testing costs to maintain split-state status, including indemnity. Makes minor wording change.

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

Authorizes department to provide for indemnity pursuant to Animal Industry Act; limits indemnification orders to \$100,000 per order; provides for report. Subsection (2) authorizes department to indemnify for livestock killed by wolves, coyotes, or cougars. Subsection (3) provides for a report.

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

Directs department to collaborate with USDA and work to eradicate Bovine TB; minor changes to wording.

### **Sec. 456. Electronic Animal Identification (EID) – RETAINED**

Prohibits use of funds to enforce EID program for domestic animals other than cattle without specific authorization in statute.

### **Sec. 457. Bovine TB Report – RETAINED**

Requires quarterly report on Bovine TB program.

### **Sec. 458. Aquaculture and Viral Hemorrhagic Septicemia (VHS) Eradication Programs – RETAINED**

Requires department support for inspection and testing of aquaculture facilities; states legislative intent with regard to VHS surveillance program.

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

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.

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

Executive budget included section that directs that from the additional funds appropriated for PPPM programs in Part 1, from proposed fee increases, the department improve its ability to perform proper surveillance of the fertilizer and pesticide industries. Conference does not include.

### **Sec. 601. Environmental Stewardship – MODIFIED**

Clarifies intent of line item funding: "*The funds appropriated in part 1 for environmental stewardship/MAEAP shall 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.*"

### **Sec. 603. Local Conservation Districts – DELETED**

Deletes current language that directs the use of money appropriated for local conservation districts in Part 1. The proposed budget would roll up the Local Conservation District line item into the MAEAP/Environmental Stewardship line item.

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

Authorizes the department to expend federal revenues in excess of the appropriation under section 107 in part 1 upon notification of the Legislature.

### **Sec. 605. MAEAP Restrictions – DELETED**

Current language restricts funding for the Michigan Agriculture Environmental Assurance Program (MAEAP) to the specific MAEAP appropriation in Part 1. The proposed budget would roll up the MAEAP line item into a new MAEAP/Environmental Stewardship line item.

### **Sec. 607. Inter-County Drain Program – DELETED**

Indicates legislative intent that department continue its activities as provided under the Drain Code.

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

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 – MODIFIED**

Defines purpose and uses of commercial forestry audit appropriation in par 1; indicates appropriation is a work project; provides for a report.

### **Sec. 701. Rural Development Value Added Grant Program – DELETED**

Deletes current language that provided guidance for the program. The proposed budget would roll up this grant program into a new Strategic Growth Initiative grant program.

## **Major Boilerplate Changes From FY 2014-15**

### **Sec. 706. *Agricultural Development* – MODIFIED**

Requires department to report on agricultural development and export market development activities; modifies to establish specific reporting requirement for grants.

### **Sec. 711. *Strategic Growth Initiative Grant Program* – MODIFIED**

Modifies current language that had applied to the "food and agriculture industry growth initiative" grant program and instead references a new Strategic Growth Initiative grant program; provides guidance for program grants.

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

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

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

Requires 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. 803. *Thoroughbred/Standardbred Program Escrow* – RETAINED**

Provides for "escrowing" program funds.

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

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

### **Sec. 805. *County Fair Capital Grant Program* – RETAINED**

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

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

Established conditions for grant program that is not included in proposed budget.

### **Sec. 1101. *Food and Agriculture Industry Value-Added Grant Program* – DELETED**

Deletes language that provided criteria for One-time grant program; this program is not included in FY 2015-16 proposed budget.