

FY 2023-24: AGRICULTURE AND RURAL DEVELOPMENT
Summary: As Reported by House Subcommittee
House Bill 4289 (H-1)



Analyst: William E. Hamilton

IDG/IDT	FY 2022-23 YTD as of 2/8/23	FY 2023-24 Executive	FY 2023-24 House	FY 2023-24 Senate	FY 2023-24 Conference	Difference: House From FY 2022-23 YTD	
						Amount	%
	\$326,700	\$327,000	\$327,000	\$	\$	\$300	0.1
Federal	19,670,900	19,660,400	19,660,400			(10,500)	(0.1)
Local	0	0	0			0	--
Private	21,300	21,300	21,300			0	0.0
Restricted	44,706,400	45,219,200	48,819,300			4,112,900	9.2
GF/GP	122,989,800	124,605,100	82,105,100			(40,884,700)	(33.2)
Gross	\$187,715,100	\$189,833,000	\$150,933,100	\$	\$	(\$36,782,000)	(19.6)
FTEs	537.0	543.0	543.0			6.0	1.1

Notes: (1) FY 2022-23 year-to-date figures include mid-year budget adjustments through February 8, 2023. (2) Appropriation figures for all years include all proposed appropriation amounts, including amounts designated as "one-time."

Overview

Michigan Department of Agriculture and Rural Development (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, consumer protection, and promoting the state's agricultural economy.

		FY 2022-23 Year-to-Date (as of 2/8/23)	FY 2023-24 House Change
Major Budget Changes from FY 2022-23 YTD Appropriations			
1. Emerging Contaminates in Food and Agriculture	FTE	0.0	6.0
<u>Executive</u> requests \$6.2 million GF/GP, and 6.0 FTE positions, for new ongoing program to identify, respond to, and mitigate emerging contaminants, including PFAS, affecting agriculture and related food industries. [Funding had also been included in a FY 2022-23 supplemental budget request.] <u>House</u> includes but as a one-time funding item.	Gross	\$0	\$6,180,000
	GF/GP	\$0	\$6,180,000
2. Food and Agriculture Supply Chain Investment	Gross	\$0	\$2,000,000
<u>Executive</u> requests \$37.5 million GF/GP (one-time) to address issues related to agriculture and food industry supply chain, including accessibility of cold storage, distribution and processing facilities, and implementation of advanced technologies. Related boilerplate would authorize 1.0 limited-term FTE position to administer the program. <u>House</u> includes \$2.0 million GF/GP for this new and one-time program.	GF/GP	\$0	\$2,000,000
3. MI Climate Smart Farming	Gross	\$0	\$0
<u>Executive</u> requests \$10.0 million GF/GP (one-time) to assist Michigan farmers in implementing regenerative agriculture practices to reduce soil disturbance, maximize crop diversity, sequester carbon, and reduce sediment and nutrient runoff. Related boilerplate would authorize 4.0 limited-term FTE positions. <u>House</u> does not include.	GF/GP	\$0	\$0
4. Northern Michigan Herd Protection and Management	Gross	\$0	\$100
<u>Executive</u> requests \$5.0 million GF/GP (one-time) for practices that separate livestock from wildlife in order to protect livestock from Bovine Tuberculosis; targeted for counties in the Modified Accredited Zone (Alcona, Alpena, Montmorency, Oscoda) as well as adjacent Presque Isle County. Project supports efforts to maintain Michigan's "split state" status with the U. S. Department of Agriculture. <u>House</u> includes a \$100 placeholder from restricted funds.	Restricted	0	100
	GF/GP	\$0	\$0

Major Budget Changes from FY 2022-23 YTD Appropriations		FY 2022-23 Year-to-Date (as of 2/8/23)	FY 2023-24 House Change
5. Michigan Craft Beverage Council	FTE	3.0	0.0
<u>Executive</u> recognizes additional revenue in the Michigan Craft Beverage Council Fund, including part of the fund balance, to be used in support of Council activities. The fund receives revenue from fees dedicated to the program under Michigan's Liquor Control Code. <u>House</u> includes an additional \$1.0 million GF/GP as one-time funding.	Gross	\$926,100	\$1,410,000
	Restricted	926,100	410,000
	GF/GP	\$0	\$1,000,000
6. Producer Security	FTE	5.0	0.0
<u>Executive</u> includes \$150,000 in additional restricted fund support for administration of the Farm Produce Insurance Act; the act will have to be amended to raise the current ceiling on administrative expenses. House concurs with Executive.	Gross	\$754,000	\$150,000
	Restricted	735,200	150,000
	GF/GP	\$18,800	\$0
7. Horse Racing Programs	Gross	\$3,794,200	\$0
<u>Executive</u> : Retains current year funding for horse racing line items – purses, purse supplements, and breeders' awards – totaling \$3.8 million from the Agriculture Equine Industry Development Fund (AEIDF). <u>House</u> retains AEIDF appropriations at current levels, but shifts \$1.4 million in AEIDF spending authority from thoroughbred and light horse racing line items that are no longer used to line items that support standardbred racing purses, purse supplements, and breeders' awards. This shift between line items nets to \$0.	Restricted	3,794,200	0
House treatment would bring FY 2023-24 AEIDF support for standardbred racing programs to \$3.4 million, \$600,000 less than FY 2021-22 when \$4.0 million was expended on standardbred racing programs. In FY 2021-22 expenditures for standardbred programs included \$2.3 million in GF/GP revenue from a boilerplate appropriation.			
[The House treatment mirrors Executive budget revision 2024-1 (State Budget Office letter dated April 18, 2023), as well as a State Budget Office legislative transfer request for FY 2022-23.]			
8. County Fairs – Capital Grants	Gross	\$500,000	\$1,000,000
<u>Executive</u> recommends current year funding of \$500,000 GF/GP for program of capital grants to county fairs. <u>House</u> recommends \$1.5 million in total, a \$1.0 million increase, using restricted AEIDF funding.	Restricted	0	1,000,000
	GF/GP	\$500,000	\$0
9. County Fairs – Premiums	Gross	\$0	\$1,600,000
<u>House</u> includes \$1.6 million from the AEIDF to restore funding for county fair premiums. Premiums represent cash prizes paid to persons winning or placing in certain designated competitions at qualified fairs and expositions. Contests may include judged exhibitions of livestock, horses, companion animals, agricultural products, culinary arts, education projects, demonstrations of proficiency at agricultural skills, artwork, antiques, and tractor pulling.	Restricted	0	1,600,000
	GF/GP	\$0	\$0
10. Equine Veterinary Research Grants	Gross	\$0	\$1,000,000
<u>House</u> includes \$1.0 million from the AEIDF for a program of grants to Michigan colleges of veterinary medicine for research in equine health and disease prevention and response.	Restricted	0	1,000,000
	GF/GP	\$0	\$0
11. SEEDSS	Gross	\$0	\$7,000,000
<u>House</u> includes \$7.0 million for a new grant program, in partnership with Michigan schools of agriculture, for research and pilot projects in support of sustainable agriculture.	GF/GP	\$0	\$7,000,000

<u>Major Budget Changes from FY 2022-23 YTD Appropriations</u>		<u>FY 2022-23 Year-to-Date (as of 2/8/23)</u>	<u>FY 2023-24 House Change</u>
12. Climate Action/Reforestation in Northern Michigan	FTE	9.0	0.0
<u>Executive</u> retains current year funding for the Qualified Forest Program line, including \$5.4 million in federal spending authority associated with a USDA reforestation project grant. The project involves the planting of 5 million native hardwood trees and conifers for the reforestation of private and state-owned land in the Northern Lower Peninsula. Although the \$5.4 million federal spending authority is shown in both fiscal years, though there is only one \$5.4 million grant award. <u>House</u> concurs with the Executive.	Gross	\$8,078,600	\$0
	Federal	5,400,000	0
	Restricted	1,080,100	0
	GF/GP	\$1,598,500	\$0
13. Local Conservation Districts	Gross	\$3,000,000	(\$1,000,000)
<u>Executive</u> retains \$2.0 million GF/GP in ongoing funding for local conservation districts but removes \$1.0 million GF/GP that was included as one-time funding. <u>House</u> concurs with Executive.	GF/GP	\$3,000,000	(\$1,000,000)
14. Back Out FY 2022-23 One-Time GF/GP	Gross	\$56,000,000	(\$56,000,000)
Removes FY 2022-23 one-time funding items totaling \$56.0 million GF/GP: Animal Welfare and Veterinary Care, \$2.0 million; Economic Development for Food and Agriculture, \$50.0 million; Office of Rural Development grants, \$3.0 million; Buy Michigan Campaign, \$1.0 million.	GF/GP	\$56,000,000	(\$56,000,000)
15. Economic Adjustments	Gross	NA	(\$232,500)
Reflects net decrease in estimated costs of \$232,500 Gross (\$175,100 GF/GP) for negotiated salary and wage increases (2.0% on October 1, 2023), actuarially required retirement contributions, worker's compensation, building occupancy charges, rent, and other economic adjustments.	IDGS	NA	300
	Federal	NA	(10,500)
	Restricted	NA	(47,200)
	GF/GP	NA	(\$175,100)

Major Boilerplate Changes from FY 2022-23

Sec. 201. State Spending from State Resources and Payments to Local Units of Government – REVISED

Executive updates section that identifies state spending from state resources and spending to be paid to local units of government to reflect proposed budget. House updates to reflect House bill.

Sec. 202. Applicability of Management and Budget Act – RETAINED

References the Management and Budget Act (1984 PA 431). Executive makes technical changes. House retains current language.

Sec. 203. Definitions – RETAINED

Defines various terms and acronyms appearing in the act. Executive makes technical changes. House retains current language.

Sec. 204. Internet Reporting – RETAINED

Requires the department to use the internet to fulfill legislative reporting requirements. Executive makes technical changes. House retains current language.

Sec. 205. Buy American and Buy Michigan Preference – RETAINED

Prohibits the purchase of foreign goods or services if competitively priced and comparable quality American goods and services are available; also requires that preference be given to Michigan businesses and to Michigan businesses owned and operated by veterans, if such goods and services are competitively priced and of comparable quality. Executive makes technical changes. House retains current language.

Sec. 206. Deprived and Depressed Communities – REVISED

Directs department director to take reasonable steps to ensure that businesses in deprived and depressed communities compete for and perform contracts to provide services or supplies, or both; directs the department director to encourage department contractors to subcontract with certified businesses in deprived and depressed communities. Executive changes reference to "geographically disadvantaged business enterprises." House concurs with Executive.

Sec. 207. Out-of-State Travel – RETAINED

Requires annual out-of-state travel report due January 1 of each year, listing travel by employees in the prior fiscal year. Executive makes technical changes. House retains current language.

Major Boilerplate Changes from FY 2022-23

Sec. 208. Hire of Outside Legal Counsel – RETAINED

Prohibits the department from hiring a person to provide legal services that are the responsibility of the Attorney General; exempts legal services for bonding activities and outside [legal] services authorized by the Attorney General. Executive and House retain current year language.

Sec. 209. General Fund/General Purpose Lapse Report – REVISED

Requires the State Budget Office to prepare and transmit a report by November 30 of estimated GF/GP lapses for major department programs or program areas for the prior fiscal year. Executive changes dated to December 31. House changes date to December 15.

Sec. 210. Contingency Appropriations – RETAINED

Provides contingent spending authority of \$3.0 million federal funds, \$2.0 million state restricted funds, \$100,000 local funds, and \$100,000 private funds, subject to legislative transfer process of Section 393(2) of the Management and Budget Act. Executive increases contingency "fund" limits and other technical changes. House retains current language.

Sec. 211. Transparency Website – RETAINED

Directs the department, in cooperation with DTMB, to maintain a searchable website accessible by the public at no cost that includes various appropriation, expenditure, procurement, and staffing information. Executive deletes. House retains current language.

Sec. 212. Restricted Fund Balance Report – RETAINED

Requires the department to cooperate with the State Budget Office to report on restricted fund revenues, expenditures, and estimated year-end balances; due within 14 days of the release of the Executive budget recommendation. Executive deletes. House retains with updated report dates.

Sec. 213. Key Metrics/Scorecard Website – RETAINED

Requires the department to maintain, on a publicly accessible website, a "scorecard" that identifies, tracks, and regularly updates key metrics used to monitor and improve the department's performance. Executive deletes. House retains.

Sec. 214. Annual Legacy Costs – DELETED

Identifies estimated department "legacy costs" for the fiscal year ending September 30, 2023 of \$11.6 million, of which pension related costs were \$7.0 million and retiree health care costs \$4.5 million. Executive deletes. House deletes.

Sec. 215. Communications with the Legislature – RETAINED

With certain specific exceptions, prohibits the department from taking disciplinary action against an employee for communicating with a member of the legislature or legislative staff. Executive deletes. House retains. *(The Governor's signing letter indicated that this section was unenforceable in that it impinged on executive branch authority in violation of Article 3, Section 2 of the Michigan Constitution which deals with the separation of powers.)*

Sec. 216. Report on FTE Positions and Remote Work – REVISED

Requires a quarterly report on staffing levels in relation to FTE authorization. Executive revises to delete subsection (2) detailed reporting requirements. House concurs with Executive.

Sec. 217. Work Project Expenditures – RETAINED

Requires that work project balances be exhausted before expenditure from part 1 appropriations. Executive deletes. House retains. *(The Governor's signing letter indicated that this section was unenforceable in that it impinged on executive branch authority in violation of Article 3, Section 2 of the Michigan Constitution which deals with the separation of powers.)*

Sec. 218. State Administrative Board Transfers – DELETED

Provides for the legislature to intertransfer funds within this departmental budget if the State Administrative Board transfers funds from an appropriation within this departmental budget. Executive deletes. House concurs with Executive and deletes. *(The Governor's signing letter indicated that this section was unenforceable in that: (1) It impinged on executive branch authority in violation of Article 3, Section 2 of the Michigan Constitution which deals with the separation of powers. (2) The section also attempts to authorize legislation other than through an enacted bill, in violation of two sections under Article 4 of the Michigan Constitution: Section 22 requires that all legislation be by bill; Section 33 prescribes how bills are enacted into law.)*

Sec. 219. Record Retention – RETAINED

Requires department to retain reports funded from Part 1 appropriations in accordance with state and federal record retention guidelines. Executive deletes. House retains.

Sec. 220. Impact of New Legislation – RETAINED

Requires a report on specific policy changes made to implement new public acts enacted in prior calendar year. Executive deletes. House retains.

Major Boilerplate Changes from FY 2022-23

Sec. 221. Severance Pay Report – REVISED

Requires a report related to severance pay paid to department personnel upon the termination of employment. Executive deletes. House retains with the exception of a subdivision requiring posting to an internet site.

Sec. 222. Restrictions on COVID-19 Passport – DELETED

Restricts use of COVID-19 "passports" to document vaccination status. Executive deletes. House deletes.

Sec. 224. Remote Work Policy – RETAINED

Legislative intent language: "that departments maximize the efficiency of the state workforce and, where possible, prioritize in-person work", and that executive branch agencies "post its in-person, remote, or hybrid work policy on its website." Executive deletes. House retains.

Sec. 225. Access to State and Local Services – NEW

Executive includes new language that prohibits appropriations from being used to restrict or interfere with actions related to diversity, equity, and inclusion, to restrict or impede community access to government programs, or restrict an individual's ability to exercise the right to reproductive freedom; requires local governments to report on actions that attempt to restrict duties of local health officers. House concurs with Executive.

Sec. 241. Incident Management Notification – DELETED

Requires the department to notify legislators when incident management team is activated. Executive deletes. House deletes.

Sec. 301. Miscellaneous Fees, Use of Fee Revenue, Fee Reports – REVISED

Executive and House retain section that authorizes department to establish a fee schedule and collect fees for various work activities and services, and authorizes the department to receive and expend fee revenue, subject to appropriation, for the purpose of recovering expenses related to specific work activities and services. Executive deletes Subsection 5 that asks the department to work with vendors supplying testing of certain certified/registered pesticide applicators to ensure adequate testing capacity, access to testing sites, and reasonable costs. House concurs with Executive and deletes subsection (5).

Sec. 302. Grants Reporting Requirements – RETAINED

Executive makes minor technical changes to section that authorizes the department to contract with or provide grants to local units of government, institutions of higher education, or nonprofit organizations to support activities authorized by appropriations, including research grants for the purpose of enhancing the agricultural industries of the state. House retains current language.

Sec. 303. Emerging Contaminates – NEW

Executive includes new section defining the emerging contaminants program established in part 1; directs the department to support efforts to identify and respond to emerging contaminants, including PFAS, to the food and agriculture sector. House concurs with Executive. [House includes funding in the one-time appropriation unit.]

Sec. 304. Michigan Market Maker – NEW

House includes new language that requires the department to maintain on a publicly accessible website registered agricultural businesses and shall regularly update the website to include key contact information. In carrying out the requirements of this section, the department shall partner with Michigan State University's Michigan Market Maker.

Sec. 401. Food and Dairy Division Annual Report – RETAINED

Executive makes minor technical changes to Food and Dairy Division reporting requirement. House retains current language.

Sec. 451. Bovine TB Whole Herd Testing Costs – RETAINED

Executive retains section that requires the department to pay for all whole herd and individual animal testing costs in the modified accredited zone, and buffer zone, as referenced in the Memorandum of Understanding with the USDA, to maintain split-state status requirements. House concurs with Executive and retains.

Sec. 452. Animal Industry Division Annual Report – RETAINED

Executive makes minor technical changes to section that requires the department to report on the previous calendar year's activities of the Animal Industry Division, including specific information on livestock depredation indemnification payments. House retains.

Sec. 454. Bovine Tuberculosis (TB) Program – RETAINED

Executive retains section that directs the department to collaborate with the USDA to monitor Bovine TB consistent with the current Memoranda of Understanding between the Department and the USDA. House concurs with Executive and retains.

Major Boilerplate Changes from FY 2022-23

Sec. 455. Cervid Facility Testing Costs – RETAINED

Executive makes minor technical changes to section that earmarks \$200,000 to reimburse privately owned cervid facilities for the costs of CWD testing. House retains current language.

Sec. 457. Bovine TB Program Report – RETAINED

Executive retains, with minor modification, section that requires quarterly reports on Bovine TB status and department activities. House concurs with Executive.

Sec. 458. Michigan Animal Agriculture Alliance – RETAINED

Executive and House retain section that directs the department to work with representatives of animal agriculture, and state research universities, to establish an animal research grant program.

Sec. 501. Pesticide and Plant Pest Management Division (PPPM) Annual Report – RETAINED

Executive deletes PPPM reporting requirement. House retains.

Sec. 502. Pesticide Safety Program – RETAINED

Executive deletes \$1.2 million earmark from PPPM line item for staffing and operational support for education and compliance assistance efforts to ensure uniform application of pesticide regulations. House retains.

Sec. 601. Environmental Stewardship/MAEAP – RETAINED

Executive retains, with minor technical changes, section that directs that the *Environmental stewardship/MAEAP* line item, 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, and technical assistance in implementing conservation grants available under the Federal Farm Bill. House concurs with Executive and retains.

Sec. 602. Environmental Stewardship Division Annual Report – RETAINED

Executive deletes section that requires the department to report on the previous calendar year's activities of the Environmental Stewardship Division. House retains.

Sec. 603. Agricultural Nutrient Best Management Voluntary Practices Program – RETAINED

Executive deletes reporting requirement related to prior-year work project related to water quality improvement in the western Lake Erie basin. House retains.

Sec. 604. Appropriation of Additional Federal Revenues – RETAINED

Executive retains, with minor technical changes, section that authorizes the department to receive and expend up to \$1.0 million in additional federal revenues beyond the amounts appropriated under part 1, Section 107 for environmental stewardship and MAEAP activities; requires the department to notify the legislature prior to expending the additional federal revenue received and authorized under this section. House concurs with Executive and retains.

Sec. 608. Qualified Forest Program – RETAINED

Executive retains section that defines the purpose of the program as increasing nonindustrial private forest landowners' knowledge of best management practices and increasing the amount of commercial timber production from nonindustrial private forestland; directs the department to work in partnership with stakeholder groups and other state and federal agencies to increase the active management of nonindustrial private forestland to foster the growth of Michigan's timber product industry. House concurs with Executive and retains.

Sec. 609. Local Conservation Districts – RETAINED

Executive retains section that directs that the appropriation for local conservation districts be distributed equally among local conservation districts; includes a reporting requirement. House concurs with Executive and retains with report date updated.

Sec. 610. Farmland/Opens Space Tax Credit Processing – DELETED

Executive deletes section that requires the department to coordinate with the Michigan Department of Treasury to improve timely processing of tax credits under farmland and open space preservation programs. House concurs with Executive and deletes.

Sec. 651. Laboratory Division Annual Report – RETAINED

Executive deletes section that requires the department to report on the previous calendar year's activities of the Laboratory Division. House retains.

Sec. 701. Food and Agriculture Investment Grant Program – REVISED

Executive revises language that defines and guides the grant program. House includes additional revised language, including direction that: "in awarding grants under the program the department shall identify and encourage applications from, beginning, socially disadvantaged, women, and veteran farmers and ranchers."

Major Boilerplate Changes from FY 2022-23

Sec. 702. Rural Development Fund – DELETED

Executive deletes section that requires the department to work with the Rural Development Fund board to establish a process and criteria for funding projects as well as establishing metrics and measurable outcomes for the program, in accordance with provisions of the Rural Development Fund Act, 2012 PA 411. House concurs with Executive and deletes.

Sec. 702a. Office of Rural Development – RETAINED

Executive retains section that directs the Office of Rural Development to encourage and enable appropriate community advancements and improvements, including, but not limited to, housing, infrastructure, education, workforce development, and other needs uniquely present in rural areas of this state that will assist in expansion of rural agriculture development. House concurs with Executive and retains.

Sec. 703. Double Up Food Bucks Program – RETAINED

Executive retains current section, with minor modifications. House concurs with Executive and retains.

Sec. 706. Agriculture Development Division Annual Report – RETAINED

Executive deletes current annual report requirement on activities of the Agriculture Development Division. Current report provides specific information on agriculture development grant awards and specific information on the activities of the Michigan Craft Beverage Council. House retains.

Sec. 707. Industry Support Fund Lapse – RETAINED

Executive and House retain section that provides for unexpended Industry Support Funds to lapse to the Industry Support Fund.

Sec. 801. Agriculture Equine Industry Development Fund (AEIDF) – RETAINED

Executive and House retain section that requires that all appropriations from the AEIDF be spent on equine-related purposes; prohibits use for non-equine purposes without prior legislative approval.

Sec. 802. Agriculture Equine Industry Development Fund Reductions – DELETED

Executive modifies section that established AEIDF revenue spending priorities. House deletes.

Sec. 805. County Fair Capital Grant Program – RETAINED

Executive modifies section that provides guidance for county fair capital grant program, including matching requirements. House retains current language.

Sec. 806. County Fair Premiums – NEW

House includes new language directing that the department shall establish and administer the county fair premiums program in accordance with administrative rule R285.811.1 et seq.

Sec. 900. Northern Michigan Herd Protection and Management Program – NOT INCLUDED

Executive includes language to define a proposed one-time \$5.0 million GF/GP program as a work project. House does not include.

Sec. 901. MI Climate Smart Farming – NOT INCLUDED

Executive includes language to define a proposed new one-time \$10.0 million GF/GP appropriation as a work project, and to define the project purpose as to "promote the usage and implementation of regenerative agricultural practices." House does not include.

Sec. 902. Food and Agriculture Supply Chain Investment – NOT INCLUDED

Executive includes new language related to proposed new program, including increase in staffing by 1.0 FTE position (limited term) to administer the program. House does not include.

Sec. 903. Equine Veterinary Research Grant Program – NEW

House includes new language governing the proposed new program.

Sec. 904. SEEDSS Program – NEW

House includes new language governing the proposed new program: Solving Emerging Environmental Developments and Securing Sustainability.