

MICHIGAN COMMISSION OF AGRICULTURE AND RURAL DEVELOPMENT

Michigan Municipal League
Capitol Offices – First Floor Training Room
208 North Capitol Avenue
Lansing, Michigan 48933

MEETING MINUTES JANUARY 14, 2014

PRESENT:

Bob Kennedy, Chair, Michigan Commission of Agriculture and Rural Development
Diane Hanson, Vice Chairperson, Michigan Commission of Agriculture and Rural Development
Trevor Meachum, Secretary, Michigan Commission of Agriculture and Rural Development
Fred Walcott, Michigan Commission of Agriculture and Rural Development
Jamie Clover Adams, Director, Michigan Department of Agriculture and Rural Development

CALL TO ORDER AND ROLL CALL

Chairperson Kennedy called the meeting of the Commission of Agriculture and Rural Development to order at 1:01 p.m. on January 14, 2014. Commissioner Meachum called the roll with Commissioners Hanson, Kennedy, Meachum, and Walcott, and Director Clover Adams present.

APPROVAL OF AGENDA

MOTION: COMMISSIONER MEACHUM MOVED TO APPROVE THE MEETING AGENDA FOR JANUARY 14, 2014. SECONDED BY COMMISSIONER WALCOTT. MOTION CARRIED.

APPROVAL OF DECEMBER 13, 2013, MEETING MINUTES

MOTION: COMMISSIONER MEACHUM MOVED TO APPROVE THE DECEMBER 13, 2013, MEETING MINUTES. SECONDED BY COMMISSIONER HANSON. MOTION CARRIED.

REVISED 2014 PROPOSED MEETING SCHEDULE AND NEXT SCHEDULED MEETING

Following discussion, it was decided to change the date for the March meeting from Wed., March 19, to Thursday, March 20.

MOTION: COMMISSIONER MEACHUM MOVED TO APPROVE THE REVISED 2014 PROPOSED MEETING SCHEDULE AS DISCUSSED. SECONDED BY COMMISSIONER WALCOTT. MOTION CARRIED.

The next scheduled meeting will be held on Wednesday, February 12, 2014, at Constitution Hall, Lansing.

ELECTION OF NEW OFFICERS

MOTION: COMMISSIONER MEACHUM MOVED TO NOMINATE COMMISSIONER HANSON AS CHAIR, COMMISSIONER MEACHUM AS VICE CHAIR, AND COMMISSIONER WALCOTT AS SECRETARY OF THE COMMISSION FOR 2014. SECONDED BY COMMISSIONER WALCOTT. MOTION CARRIED.

Commissioner Kennedy passed the gavel to Commissioner Hanson for chairing the remainder of the meeting.

COMMISSIONER COMMENTS AND TRAVEL

Commissioner Walcott advised his only travel was to attend today's meeting.

Commissioner Meachum reported his only travel was to attend today's meeting and expressed appreciation to Don and Marylou Coe for hosting the Commission in Traverse City last month. In his area, corn is still being harvested. He thanked Commissioner Kennedy for serving as Chair of the Commission over the last year, commending him for an excellent job in that capacity.

Commissioner Kennedy reported he is currently attending the Michigan Agri-Business Association (MABA) Annual Winter Conference in Lansing and the excellent attendance indicates agriculture is thriving in Michigan. The attitude of attendees is optimistic and there is an overall objective to expand agriculture activities.

The sector of current crop pricing indicates a fundamental shift. Corn prices have gone from an exuberant \$5-6 range over the last two years to the current \$4 price range. The soybean complex is similar; having been in the \$13-14 per bushel range, it is back to the \$10-11 range at this point in time. Agriculture remains profitable, but producers need to be somewhat better business managers. The overall outlook remains very positive for Michigan agriculture.

Commissioner Hanson advised her only travel was to attend today's meeting. She also attended the MABA conference, which she found very impressive. Upper Peninsula (UP) weather is very cold, with only twelve inches of snow. Some corn remains to be harvested and the bean production on the Garden Peninsula was very poor this year.

Verso Paper Corporation in Quinnesec has acquired the New Page Paper Mill in Escanaba. With both mills in the area now being owned by the same company, loggers are concerned about prices they will receive in the future.

MOTION: COMMISSIONER KENNEDY MOVED TO APPROVE THE COMMISSIONERS' TRAVEL. SECONDED BY COMMISSIONER MEACHUM. MOTION CARRIED.

DIRECTOR'S REPORT

Director Clover Adams reported she will be conducting eight regional meetings with staff during February to discuss their experiences and progress since meetings with them last year. Discussions will also include results of the Employee Engagement Survey.

She will be attending the Governor's State of the State message on Thursday, January 16, and issuing messages in conjunction with that address.

Last Friday, she issued a message to staff regarding 2014 department priorities. The first being to continue carrying out responsibilities in a way that protects the public, Michigan's natural resources, and the health of our animals, while not stifling creativity, innovation, and growth in the food and agriculture sector. Staff did a very good job of that last year and were simply asked to continue those efforts. The second priority is immigration, focusing on what Michigan can do as a state to help growers obtain the labor needed. The Food Safety Modernization Act (FSMA) will also be a focus in 2014. The department will continue providing comments to the Food and Drug Administration (FDA) on the proposed food and feed rules and begin to strategize in order to meet the challenges of education and implementation of those rules. Technology enhancement, another priority, should significantly increase staff productivity.

In response to inquiry from Commissioner Meachum, the Director advised the Tree Fruit Commission process is moving forward. Comments from the public meetings have been shared with the Temporary Advisory Committee, who will be providing a scope of work recommendation to the Director. A final plan will be proposed to members in the near future.

DIRECTOR'S TRAVEL

Director Clover Adams has no additional out-of-state travel planned in the near future.

PUBLIC COMMENT (AGENDA ITEMS ONLY)

There was no public comment relative to agenda items.

BUDGET UPDATE: Maria Tyszkiewicz, Budget Officer

Ms. Tyszkiewicz reported as a result of the recent Revenue Estimating Conference, it was determined there would be additional revenues of \$970.7 million in School Aid Fund and General Fund dollars. The Civil Service Commission is meeting tomorrow to review final employee contracts, which has delayed the final budget from the State Budget Office. It is expected the Governor's budget will be released early in February.

In response to inquiry from Commissioner Meachum, Ms. Tyszkiewicz advised there will be many demands on the additional revenues, of which \$705 million are General Fund.

DEPARTMENT-WIDE INSPECTION SYSTEM – ACCELA SOLUTIONS UPDATE: Tom Benner, Systems Manager

Mr. Benner shared a chronology of the work being completed on the Michigan Department of Agriculture and Rural Development's (MDARD) licensing and inspection system. The Transformational Change Project originated as only the inspection system; however, when Accela was considered as a solution, they were able to combine that with the licensing system project.

MDARD has five regulatory divisions, with over 200 staff conducting inspections and utilizing a number of different systems to capture that information. In addition, there are

various licensing systems. The department issues 43 different license types with over 125,000 active licenses and registrations. This licensure activity generates 82 distinct inspection types and over 80,000 annual inspection reports.

To improve effectiveness and gain efficiencies, in 2006 the department completed a license consolidation process improvement effort which initiated various action teams to implement the developed plan. One of the actions was to create a central licensing unit, and through that economy of efficiency and scale, improve service to our customers, as well as move the process to an online system.

In 2008, cost estimates and requirements for a licensing system were developed. Concurrently, the Michigan Business One Stop process began that summer, which was a Governor's directive to consider the potential of all licenses in the state being available to customers online. This required MDARD to modify its license system requirements to integrate with the One Stop system and ultimately caused significant delay in the department's project.

The Michigan Business One Stop was launched in March of 2009 and MDARD began efforts to create a central licensing system with IBM. In 2010, the Department of Technology, Management, and Budget attempted to create an enterprise-wide licensing system through the vendor System Automation.

MDARD submitted a Transformational Change Project proposal in 2012 to create a single department-wide inspection system and completed an inspection system process improvement effort. At the same time, attempts to create an enterprise-wide licensing system ceased, because the governance between the different state agencies was unable to agree upon one protocol for sharing data. This returned the department to its own projects.

The inspection system, very similar to licensing, had numerous paper forms and different data systems. Various technology issues also existed, including that if staff are not connected to the internet when completing an inspection report, they are unable to complete that report. Given the state of connectivity in Michigan, there are numerous areas without internet service and a new solution for staff is needed.

In 2013, the decision was made to explore the opportunity to leverage the Michigan Department of Licensing and Regulatory Affairs (LARA) contract with Accela Automation. Also, it was decided to merge MDARD's licensing and inspection systems development. Because licensing is frequently tied to inspection, having information in one database will offer numerous efficiencies.

A pre-implementation workshop with Accela was held last November to provide information for their development of a Statement of Work (for scope and pricing). A draft statement was received from Accela on December 6, which is currently being reviewed and evaluated by the Steering Committee. Technical issues with the state's network are concurrently being addressed.

As a side note, in December of 2013, MDARD reached 12,650 applications having been submitted through One Stop. This represents less than eight percent of the total potential licenses in that time period. MDARD has been one of the major supporters of One Stop and much time and energy was expended to meet the requirements of that initiative in order to offer some type of online license processing for our customers.

Accela Automation is a web-based application that helps agencies create a more citizen-centric, performance-based government. It provides a complete solution for automating mission-critical tasks associated with permitting, code enforcement, community development and planning, inspections and investigations, licensing and case management, asset and resource management, emergency response, and more. It utilizes a centralized database that allows information to be shared across departments and improves communication between agencies, field staff, citizens, and businesses.

Accela powers thousands of services and millions of transactions for more than 500 public agencies worldwide, enabling governments to connect with citizens and streamline processes within a more customer-centric climate. Accela addresses a broad range of agency, business, and citizen needs, and includes built-in payment, scheduling, compliance, and information transparency – consistent with the Governor’s vision of making it easy for customers to do business with the State of Michigan.

For over 11 years, LARA has utilized Accela to issue 33,339 Bureau of Construction Codes (BCC) permits to contractors and homeowners and over 20,000 license renewals have been issued by BCC through Accela to licensees. LARA staff report they have been pleased with the Accela product.

The Accela Inspector application provides permitting, licensing, and code-enforcement professionals with functionality designed to perform an onsite inspection or investigation using their smartphone or tablet. Integrated with Accela Automation, Accela Mobile Inspector connects mobile workers to their back-office accounts, enabling them to work from their desk, vehicle, or on location using their preferred device. Users can perform a complete onsite process – from initial inspection to submittal – and also can view and update their inspection details, including checklists, attachments, and comments.

In terms of connectivity, Accela offers a significant advantage because it is an online/offline system. If staff are connected online through a good Wi-Fi signal, they will process items live. If not, the system will seamlessly transfer data to the application on their computer, items can be processed and printed, and data will upload the next time the computer is connected to the internet.

Benefits of implementing an Accela systems solution for MDARD’s licensing and inspection processes are several and include increased staff efficiency through reduction of paper handling and redundant data entry, replacement of legacy systems (one as old as 1986 that is not compatible with Windows 7), less costly maintenance/upgrades, better access to data for field staff, online application process for most licenses, quicker license issuance, better citizen access to license information, and capability for better decision making based on data availability.

The Director advised Accela has found they can add 60 to 90 minutes per day per inspector with this system, which is significant. With Accela and a tablet (as opposed to a laptop), the department can potentially gain 80 inspections per person per year. Staff currently feels very confined and frustrated because they are unable to provide the service they would like and we are hoping these tools will assist them in providing technology and efficiencies.

Mr. Benner advised the next steps are to secure sufficient funding for the project, finalize the Statement of Work with Accela, complete the DTMB procurement process, and start project initiation. The goal is to go live by March 15, 2015, with the first phase that will include the three largest systems, food establishment licensing and inspections, Motor Fuel Quality Program (gas stations) licensing and inspections, and nursery licensing and inspections. The management team is very committed to reaching that goal.

Commissioner Meachum asked if there were plans to require that all licensing be processed online. Mr. Benner advised through creating ease of processing and providing helpful electronic processing instructions, that would be an ultimate goal, while still maintaining accommodations for those without computer access.

P.A. 116 PROGRAM UPDATE: Rich Harlow, Farmland and Open Space Preservation and Qualified Forest Programs Manager

Mr. Harlow reported the Farmland and Open Space Preservation Program coordinates four different farmland preservation program areas. The largest of those is the P.A. 116 Farmland Preservation Program. That program was created in 1975 and provides for landowners to enter into a temporary restriction on their land to prevent it from being developed. Currently, there are 43,900 farmland agreements protecting 3.2 million acres of farmland. In response to inquiry from Commissioner Meachum, Mr. Harlow advised the number of acres being protected continues to increase.

Through the Donation of Conservation Easements Program, which began in 1994, 118 permanent conservation easements on farmland and open space permanently protect 26,000 acres in the state. What is essentially a land conservancy is operated within the program area. Donations continue and two relatively large parcels were accepted this year in southwestern Michigan.

The Local Open Space Easement Program allows landowners to receive a tax benefit on their open space. Also, there is the Designated Open Space Easement Program, which is tied to designated environmental areas.

And finally, the Agricultural Preservation Fund Program was created in 2000 and directs funds for purchasing conservation easements into a fund from which grants are awarded to local units of government for purchase of development rights.

The Qualified Forest Program was transferred to MDARD on June 6, 2013, and is a program similar to P.A. 116. The conservation districts provide forestry assistance to property owners. As of December 31, 2013, more than 1,000 applications have been processed. There is considerable energy behind the program at this point.

Agreements under the P.A. 116 Program are temporary with the state for 10 to 90 years and are renewable up to a total of 90 years, after which reapplication would be required. The state temporarily holds the development rights to the properties enrolled. In exchange for participating in the program, participants receive a Michigan Income Tax credit, with the average credit being approximately \$2,300 per participant. Another benefit is exemption from special assessments on sanitary sewer, water, lights, and non-farm drainage. Depending on location, this can be a relatively valuable benefit.

With over 43,900 P.A. 116 agreements, 3.2 million acres of the state's 10 million agricultural acres are protected, which represents about 33 percent of Michigan's farmland. \$43.9 million in tax credits were issued in 2012 and over \$1 billion in credits have been issued since 1975. The agreements represent 40 years of cropland (farmland, woods, and wetlands) stability. The program has definitely had a positive impact on agriculture in Michigan.

The program is operated entirely through restricted revenue which is sourced by the Act's landowner payback provision. Prior to 2006, that provision generated approximately \$1.7 million annually. The provision generated \$970,000 per year from 2007 through 2010, on which they were still able to operate the program's \$1.3 million annual budget. However, since 2006, revenue has been dropping to the point it generated only \$460,000 in 2013.

The provision is actually counterintuitive because it is land leaving farmland preservation that pays for farmland preservation. The program has been very effective – more land is enrolled, less people are leaving, and more are enrolling. Therefore, it does not make sense to operationally fund a program through people leaving the very program we are encouraging people to join. This has negatively impacted operation of the P.A. 116 Program, as well as leaving the Agricultural Preservation Fund Program with no funding, because it was funded by excess revenue from the P.A. 116 Program. There are at least 26 communities waiting for grants to operate their local preservation programs.

One of the causes of the revenue decrease was a statutory change in landowner notification that was made in 1996 that provided for department notification seven years prior to expiration and avoiding repayment if no tax credits were claimed. That resulted in the majority of people now leaving the program having no repayment obligation. This resulted in insufficient funds to continue daily operations of the program. Through considerable efforts on the part of program staff, they were able to solve operational issues for four of the five under-funded years. However, there no longer are options to pursue. On October 1, 2013, the P.A. 116 staff level was reduced from eight to three. Fortunately, we were able to reassign those skilled individuals to the new Qualified Forest Program.

However, operating the P.A. 116 Program with only three staff is not working. Considerable paperwork must be handled to coordinate numerous property transfers and ensure taxpayers receive their credits. Although a 30-day backlog was the goal, staff are currently working on transfer requests received in August 2013, which is causing difficulties. New applications are also behind in processing. During the upcoming tax season, the Commissioners and department may receive calls from

constituents regarding the situation with P.A. 116. Staff are doing the best they possibly can at this point and funding solutions are being investigated.

Several alternative funding options are being pursued. The first being an increase in the real estate transfer tax, which currently is \$4.30 per \$500 of value. An increase of .03 percent would generate \$1.4 million annually. Another option is to require that a portion of the tax credit issued be reduced by three percent as a fee for program operation. This would generate \$1.6 million annually based on the current rate of tax credits issued. A third option would be a fee for service. In 2012, staff processed 5,250 documents (not including non-current year extensions). A fee of \$325 per document would generate \$1.7 million annually.

There has been considerable discussion around finding a new funding source for P.A. 116. In the interim, the program will be running behind. This causes considerable consternation, because the program prided itself in its track record of excellent customer service. The Commission offered their support during this unfortunate situation.

RECESS AND RECONVENE

Chairperson Hanson recessed the meeting at 2:05 p.m. for a brief break. She reconvened the meeting at 2:17 p.m.

COMMISSIONER ISSUES

Commissioner Hanson proposed a change in focus and frequency for Commission meetings, with potentially seven meetings each year, each longer in duration, but still within the one-day timeframe. This should be helpful for Commissioners in being able to better schedule around their farming responsibilities. She proposed eliminating the April, June, August, and December meetings and adding a meeting during the month of May. Should an additional meeting become necessary, a special meeting can be called at any time with a minimum 18-hour public notice.

Additionally, the Director proposed the Commission focus on agricultural issues and develop policy recommendations around those long-term issues. The Commission could potentially choose three broad issues for the year, invite subject experts to present on each specific issue, conduct subcommittee work between meetings, follow with discussion at a subsequent meeting, and propose applicable recommendations to the department for addressing that issue or laying a foundation to do so in the future. For instance, potential issues could include rural development, workforce and labor, implementation of the Food Safety Modernization Act, energy availability, water, transportation/infrastructure logistics, youth engagement in agriculture and farmer succession, and genetically modified organisms (GMOs) in food.

Following discussion, the Commission agreed with the concept of fewer meetings each year and the value of increased policy decision capability to assist the industry. It was noted that any subcommittee could have a maximum of two Commissioners and outside experts could be invited to join those discussions. Caution was reiterated to avoid any "reply all" responses on email messages regarding policy or decisions. Those types of responses could be directed to Commission Assistant Cheri Ayers for compilation.

The Commission will continue to consider the proposed changes to their meeting schedule and focus, advise Ms. Ayers of any additional agricultural issues to be considered, and continue the discussion during the February meeting, which will give the new Commissioner an opportunity to be a part of the discussion.

The Director confirmed various pertinent periodic update presentations for the Commission would still continue in addition to the special focus issues. Commissioner Meachum advised he would like to receive updates in 2014 on agriculture housing; fruit and vegetable inspection service; agriculture labor and H2A and if the department can help facilitate that effort; and young farmer programs and how the department might be able to assist in that area.

PUBLIC COMMENT

Wendy Banka, Michigan Small Farm Council (MSFC), advised she felt that reducing the number of Commission meetings would place a limitation on the public and their opportunities to speak before the Commission; and, that perhaps a way to accomplish better work is to actually have more meetings. She encouraged the Commission to consider those points.

She noted there were many small farmers in Michigan affected by the recent extreme cold temperatures who solved the problems of caring for their animals during that emergency. Being able to care for animals is an important part of those farmers' lives and it makes a difference personally to them. She feels the current Commission has not considered a full discussion of MSFC's issues that have been brought before them over the last 18 months. MSFC members feel the Commission represents them and asked that the Commission truly consider their issues and not take away their rights to continue having very small agricultural operations where they live.

A new Site Selection Generally Accepted Agricultural and Management Practices (GAAMP) proposal is on the table, there is a public comment period scheduled for January 22, and she encouraged Commissioners to attend. She hoped that comments received will convince the Commission to not move forward with the proposed changes. However, if approved, MSFC believes the law still protects their operations.

Belinda Fitzpatrick, Lansing, Michigan, suggested electronic media could offer the public more opportunities to interact with the Commission. Regarding urban agriculture and the GAAMPs, she feels people involved in urban agriculture need the services of MDARD; it should not be left to the local code compliance officials who do not have the expertise. She felt the department can facilitate urban agriculture in a way that will avoid future problems.

ADJOURN

MOTION: COMMISSIONER KENNEDY MOVED TO ADJOURN THE MEETING. COMMISSIONER WALCOTT SECONDED. MOTION CARRIED.

The meeting was adjourned at 2:48 p.m.

Attachments:

- A) *Agenda*
- B) *Agriculture and Rural Development Commission Meeting Minutes December 13, 2013*
- C) *Director Jamie Clover Adams – Issues of Interest Report*
- D) *Department-Wide Inspection/Licensing System-Accela Solutions Update*
- E) *Farmland and Open Space Preservation (P.A. 116) Program Funding*