

MINUTES

**MONTANA HOUSE OF REPRESENTATIVES
59th LEGISLATURE - REGULAR SESSION**

**JOINT APPROPRIATIONS SUBCOMMITTEE ON NATURAL RESOURCES AND
COMMERCE**

Call to Order: By **CHAIRMAN RICK RIPLEY**, on January 20, 2005 at
8:00 A.M., in Room 317-C Capitol.

ROLL CALL

Members Present:

Rep. Rick Ripley, Chairman (R)
Sen. Ken (Kim) Hansen, Vice Chairman (D)
Sen. Gregory D. Barkus (R)
Sen. Bob Hawks (D)
Rep. Walter McNutt (R)
Rep. John L. Musgrove (D)

Members Excused: Rep. Rosalie (Rosie) Buzzas (D)

Members Absent: None.

Staff Present: Cynthia Peterson, Committee Secretary
Shane Sierer, Legislative Branch
Barbara Smith, Legislative Branch

Please Note. These are summary minutes. Testimony and discussion
are paraphrased and condensed.

Committee Business Summary:

Hearing & Date Posted: Department of Livestock Budget
Executive Action: None

HEARING ON DEPARTMENT OF LIVESTOCK

Marc Bridges, Director of the Montana Department of Livestock (Department) introduced the members of the Board of Livestock.

George Harris, Administrator, Centralized Services Division, testified that the Department and the Board of Livestock have been working to overcome budget shortfalls. **Mr. Harris** stated the Department will need \$1.4 million to begin the fiscal year. **Mr. Harris** spoke about fee assessments that are currently used to fund the Department. In addition, 75 percent of the budget is state special revenue.

CENTRALIZED SERVICES DIVISION

Mr. Harris presented an overview of the budget for the Centralized Services Division. **Mr. Harris** pointed out that the Board of Horse Racing has been added to the Department, and that Centralized Services is responsible for administration of that board. **Mr. Harris** stated most of the general categories such as lights, rent, and grounds are all under Centralized Services. In addressing full-time employees (FTE), **Mr. Harris** stated an accounting position, attorney position, and an information technology programmer position have been eliminated. All information technology work is being done in-house. **Mr. Harris** stated they have 80 computers, and that they have not replaced any of the computers since the budget shortfalls. **Mr. Harris** requested replacement of ten computers per year. **Mr. Harris** noted the Executive Secretary position for the Board of Horse Racing has been voluntarily reduced to a half-time position. **Mr. Harris** testified that the \$65,000 from the federal government is there because all of the meat inspection services, accounting, personnel, and finance work that are performed with regard to meat inspection are indirect costs authorized by the federal government.

Questions from the Committee:

There were no questions from the committee.
{Tape: 1; Side: A; Approx. Time Counter: 8.6 - 13.9}

Decision Packages:

Mr. Harris reviewed the Decision Packages and stated the Department will continue to operate without filling the vacated positions. In addition, they are asking for ten computers at a cost of approximately \$1,200 each. **Mr. Harris** noted the Board of

Horse Racing had a rent increase. **Mr. Harris** noted that they were not able to travel as much as they should have during the last biennium.

Mr. Shane Sierer, Fiscal Analyst, submitted a travel history for the Department and reviewed his calculations with the committee. [EXHIBIT\(jnh15a01\)](#)

Mr. Bridges informed the committee that a very large percentage of the staff in the Department are in the field. **Mr. Bridges** stated that there are 25 full-time law enforcement officials, and a substantial amount of field personnel who do in-state travel. **Mr. Bridges** noted that there are only three individuals in the meat inspection program and four individuals who serve the Milk Maid Program for the entire state.

SEN. BARKUS asked about the reference to per diem on Page 4. **Mr. Sierer** explained per diem is a zero-based budget item, and the amount is automatically removed from base-year expenditures each biennium.

SEN. HANSEN asked if the inspectors are included in the total for use of personal vehicles. **Mr. Bridges** stated that they do not provide vehicles for all personnel; therefore, they are required to use their own vehicles and get reimbursed.

REP. MUSGROVE was curious how much teleworking is done within the Department. **Mr. Harris** explained that they did have an information specialist who worked from home. **Mr. Harris** stated that they do have some laptops, and most brand inspectors use their pickup trucks as their offices. **Mr. Harris** stated that there is not a lot of teleworking occurring among the central staff, but they have implemented some alternate work schedules.

Mr. Bridges stated that field personnel are on call 24/7 so, to some extent, they do work out of their homes.

DIAGNOSTIC LAB - BOZEMAN

Mr. Harris introduced **Dr. Bill Layton** from the **Diagnostic Lab in Bozeman**. **Mr. Harris** depicted the lab as highly sophisticated. **Mr. Harris** noted the budget has a reduction of .5 FTE. **Mr. Harris** noted the lab fees have been increased twice by the Board of Livestock. **Mr. Harris** explained that the dairy producers are assessed a fee that funds the milk lab testing. **Mr. Harris** explained that it is difficult to keep the lab staffed because they are highly sophisticated positions. **Mr. Harris** emphasized

that fees cannot be raised too high because producers would not be able to send the tests to the state, which would cause an increase in disease. **Mr. Harris** identified the state lab as vital to the industry, but emphasized that the lab also addresses public health needs.

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Mr. Harris reviewed the decision packages and stated they need to lease a new printer, but that other than that, they are reducing equipment requests.

Mr. Harris explained lab recharges and stated that the building is on the Montana State University (MSU) campus. He said that utilities and handyman costs are charged back to the Department. **Mr. Harris** reviewed out-of-state travel expenses and stated that the travel was due to required certifications and accreditations.

Questions from the Committee:

SEN. HAWKS asked if the diagnostic laboratory program was a free-standing program or whether it overlapped in use of equipment with other Departments at MSU. **Mr. Layton** responded that they use MSU's expertise, but not their equipment.

REP. MUSGROVE had difficulties with the structural imbalance and wondered why more General fund money was not provided. **Mr. Bridges** provided historical data to the committee. **Mr. Harris** provided an explanation of the diagnostic laboratory charts to the committee.

EXHIBIT (jnh15a02)

CHAIRMAN RIPLEY asked if they had requested an increase from general fund. **Mr. Harris** replied they did not. **Mr. Bridges** added that due to budget constraints, their understanding was not to ask for an increase in general fund money because the money was not available.

REP. MUSGROVE suggested that public health issues should be constitutionally mandated, and noted that South Dakota assumes 50 percent. **Mr. Sierer** could not give an estimate of what 50 percent would be, but offered to obtain the information for the committee. **Mr. Sierer** pointed out that the diagnostic lab had started to bill public health tests back to the provider requesting the test.

Mr. Layton stressed the importance of providing training for personnel and the importance of standardization in performing

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medical tests. **Mr. Layton** explained how the diagnostic lab was downsized due to funding. **Mr. Layton** explained that salaries are paid directly out of the budget in Montana. **Mr. Layton** identified the laboratory as being important to the viability of the livestock industry and human health. **Mr. Layton** commented that it is difficult to separate human and animal diseases at the present time. **Mr. Layton** suggested that the lab is very proud of the work it does, but could use more support in some areas.

SEN. HAWKS wondered whether any federal funding was available given the role the laboratory plays in national security. **Mr. Layton** replied that additional funding became available immediately after 9/11. **Mr. Layton** explained that the funding would be tied to specific issues and would require changes in the laboratory to address those issues.

Bob Lee, Chairman of the Board of Livestock, commented that General fund money will necessarily need to become part of the overall funding if Montana is going to have a viable laboratory. **Mr. Lee** added that there is no free lunch from the federal government, and it would be better for Montana to fund its own lab.

(Rep. Buzzas arrives.)

SEN. BARKUS asked whether MSU runs parallel programs to those offered by the lab. **Mr. Layton** replied that it does not run any programs dealing with animals that would be parallel, but there may be some parallel programs dealing with plants. **Mr. Layton** commented that MSU receives more basic science grants than the lab does and is conducting interesting basic research on some diseases.

{Tape: 1; Side: B; Approx. Time Counter: 25.7 - 28.5}

ANIMAL HEALTH DIVISION

Mr. Harris explained that a clerical staff position was eliminated, and a veterinarian-at-large position was also eliminated. The assistant veterinarian position has been vacant, and it has just recently been filled. **Mr. Harris** stated that there was very little annual health money. In addition, the bison operations and research is included in federal funds.

{Tape: 2; Side: A}

Mr. Harris testified that whenever possible, legitimate costs are billed to the federal dollars to save on state special revenue.

Mr. Harris stated that the Animal Health Division has an animal health investigator who travels 40,000 miles a year. The new budget includes a request for a new truck. **Mr. Harris** stated that three of the six FTE positions in the bison operation are year-round, while the other three are seasonal.

Mr. Harris explained that the state veterinarian is sent by the Board of Livestock to represent Montana on disease issues throughout the nation, which results in out-of-state travel expenses.

REP. MUSGROVE asked what the advantage is to owning a vehicle, rather than leasing one from the state motor pool. **Mr. Harris** identified the advantage as being the ability to resell the vehicles. In addition, Department vehicles are specially equipped.

SEN. HAWKS asked if there was a sense on how the recent proposed changes to bison management would impact the budget. **Mr. Harris** did not have any indication regarding the impacts of the proposed changes.

SEN. HANSON asked if the Department is receiving the percentage of the capita that it should. **SEN. HANSON** recalled his understanding was that they do not pursue people who owe less than \$300. **Mr. Harris** replied that the same issue is discussed every year. **Mr. Harris** stated that there is now a minimum charge of \$5 to avoid billing people for nominal amounts of money. **Mr. Bridges** stated they currently have a checks-and-balances system within the process, and in conjunction with the Department of Revenue.

Bob Lee stated that there are opportunities to go back and play policeman. **Mr. Lee** stated that he respects the private property rights and confidentiality that will need to be addressed, should an animal identification program ever be implemented.

SEN. BARKUS commented that he would support out-of-state travel that benefits Montana, but urged caution about incurring out-of-state travel expenses in exporting Montana's expertise. **SEN. BARKUS** suggested that the entity that benefits from the expertise should be required to pay those travel expenses.

Thomas Linfield, State Veterinarian, commented that he did not believe the sharing of information was unilateral.

Mr. Sierer directed the committee to Pages C-88 and C-89 which contained the per capita fund balance. **Mr. Sierer** explained that there was a structural imbalance created by HB 124.

MILK AND EGG INSPECTION BUREAU

Mr. Harris explained that the program is paid for by the dairy industry and a fee that is assessed. **Mr. Harris** depicted the four sanitarians as a very busy group that travels all over the state of Montana to ensure public health and safety. **Mr. Harris** asked the committee to note that there is a request for a new vehicle in 2007. **Mr. Harris** stated that out-of-state travel is required to attend some annual meetings.

REP. BUZZAS asked about the increase in the average spent for out-of-state travel. **Mr. Harris** replied that they had been spending less because of budget shortfalls. **Mr. Harris** explained that the trips are essential to the industry.

Mr. Sierer explained that the diagnostic laboratory is two-thirds of the revenue generated for the animal health fund, and the milk and egg program is the other one-third. **Mr. Sierer** stated that the Legislative Fiscal Division has been discussing whether the testing of milk is a public health issue. **Mr. Sierer** explained that a consensus has not been reached among the analysts whether the testing of milk for consumption by the public is a cost that should be paid for by the producers or by the public.

Mr. Bridges agreed that there is a question within the industry as to whether the fee should be borne by the industry.

Todd Gahagan, Chief, Milk & Egg Bureau, identified the three major duties of the bureau as (1) protect the public health; (2) ensure that Montana milk producers are allowed to ship their product out of state; and (3) become problem solvers on farms and plants as problems arise and provide security for the product. **Mr. Gahagan** explained that many industry processing plants in Montana have their own laboratories, and are certified by the state laboratory to conduct certain tests.

{Tape: 2; Side: A; Approx. Time Counter: 16.1 - 28.5}

BRAND ENFORCEMENT DIVISION

Mr. Harris stated that there was a 4.5 FTE reduction, and asked that those be removed from the base permanently. **Mr. Harris** explained that the brand inspectors operate in remote areas of Montana and use their trucks as offices. **Mr. Harris** identified

the need for two new trucks, which would be outfitted for law enforcement.

Mr. Sierer distributed a supplemental decision package for printing costs to correct an oversight.

[EXHIBIT\(jnh15a03\)](#)

{Tape: 2; Side: B}

Mr. Harris identified the need to include overtime in the base as a zero-base item.

SEN. HANSON wondered if the Department had considered raising its fees. **Mr. Harris** replied that the fees had recently been increased.

Mr. Bridges explained that there is a statute which requires fees to be based on costs. **Mr. Bridges** reported that Montana is experiencing a transition period in reporting. In addition, livestock numbers are down because of the drought. **Mr. Bridges** emphasized the importance of being able to justify a fee increase.

CHAIRMAN RIPLEY asked if there was a decrease in the number of brands that were registered when the fees were increased.

Jack Wiseman, Administrator, Brand Enforcement Division, explained that brands have to be re-recorded every ten years, and the numbers are continually going up. **Mr. Wiseman** depicted the process as never ending. **Mr. Wiseman** explained that it costs \$6 to process an annual inspection and \$15 to process a life-time inspection; therefore, that was where the fees were set.

MEAT AND POULTRY INSPECTION

Mr. Harris explained that the program is 50 percent general fund and 50 percent federal funds, and the state match cannot come from user fees. **Mr. Harris** noted that two meat inspector positions need to be placed back in the budget. **Mr. Harris** spoke of the need for training to ensure a uniform inspection system throughout the United States. **Mr. Harris** explained that the vehicles are leased through the State Motor Pool. **Mr. Harris** emphasized that Montana's meat industry really likes the State meat-inspection program.

SEN. BARKUS was curious why no out-of-state travel was requested. **Mr. Harris** replied that the base budget was adequate to cover out-of-state travel, so it was not requested.

Mr. Bridges commented that in the interim, the program has a difficult time meeting the needs of new applicants that want to come under inspection. **Mr. Bridges** cited lack of staff as the reason the Department was unable to meet the demand. **Mr. Bridges** noted it would be important to assist new businesses in Montana. **Ms. Carol Olmstead, Chief, Meat Inspection Division**, informed the committee that there are currently six applications waiting for state inspection.

Steve Pilcher, Montana Stockgrower's Association (MSGA), supported the problem as identified by Mr. Bridges. **Mr. Pilcher** spoke about a person's loss of business opportunity because of the inability of the Department to react and provide inspection services.

SEN. HAWKS noted that there are some areas within the Department that have unpredictable or seasonal demands and wondered if contracted services could be utilized in any of those areas. **Mr. Bridges** agreed and stated that they do utilize contract services from time-to-time. **Ms. Olmstead** added that they have had occasion to utilize retired sanitarians.

REP. BUZZAS asked if there was latitude to ask the Governor's Office for authority to hire additional help in the interim. **Mr. Schmitz** stated that a modified position could be approved in the interim, but in this case it would require a match. **Mr. Sierer** suggested appropriating General fund money for the federal match. **Mr. Schmitz** suggested a language appropriation could be used to indicate that if there is a need for an inspector and the federal funds are available, there could be a general fund appropriation.

Mr. Lee thanked the committee for the hearing and closed by stating that the Department is conservative. **Mr. Lee** added that the drought has made things difficult. **Mr. Lee** stated that the responsibility of the Board of Livestock is to protect the integrity of Montana's livestock industries.

Mr. Pilcher added that MSGA takes its responsibilities seriously. **Mr. Pilcher** identified a need to make sure the needs of the industry are being addressed.

ADJOURNMENT

Adjournment: 10:06 A.M.

REP. RICK RIPLEY, Chairman

CYNTHIA PETERSON, Secretary

RR/cap

Additional Exhibits:

EXHIBIT ([jnh15aad0.PDF](#))