

5603 - DEPARTMENT OF LIVESTOCK

Agency Budget Comparison

The following table summarizes the total executive budget for the agency by year, type of expenditure, and source of funding.

Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	140.75	140.75	134.01	134.01	140.75	134.01	(6.74)	(4.79%)
Personal Services	6,855,799	7,329,156	7,074,414	7,079,424	14,184,955	14,153,838	(31,117)	(0.22%)
Operating Expenses	2,957,157	3,040,519	3,179,702	3,129,966	5,997,676	6,309,668	311,992	5.20%
Equipment & Intangible Assets	7,149	62,689	7,149	7,149	69,838	14,298	(55,540)	(79.53%)
Benefits & Claims	0	0	0	0	0	0	0	n/a
Transfers	75,997	0	75,997	75,997	75,997	151,994	75,997	100.00%
Debt Service	24,842	25,000	24,842	24,842	49,842	49,684	(158)	(0.32%)
Total Costs	\$9,920,944	\$10,457,364	\$10,362,104	\$10,317,378	\$20,378,308	\$20,679,482	\$301,174	1.48%
General Fund	986,083	991,064	1,526,113	1,515,716	1,977,147	3,041,829	1,064,682	53.85%
State Special	7,569,126	7,977,812	7,422,493	7,394,464	15,546,938	14,816,957	(729,981)	(4.70%)
Federal Special	1,365,735	1,488,488	1,413,498	1,407,198	2,854,223	2,820,696	(33,527)	(1.17%)
Total Funds	\$9,920,944	\$10,457,364	\$10,362,104	\$10,317,378	\$20,378,308	\$20,679,482	\$301,174	1.48%

Agency Description

Mission Statement: To control and eradicate animal diseases, prevent the transmission of animal diseases to humans, and to protect the livestock industry from theft and predatory animals.

For additional information see the agency profile.

Agency Highlights

Department of Livestock Major Budget Highlights
<ul style="list-style-type: none"> ◆ The Governor's proposed budget increases by 1.48% from the previous biennium due to statewide present law adjustments and new proposals, primarily to add other funding sources ◆ The Board of Horse Racing assumed a general fund loan of \$628,428, to be repaid over a period of ten years with annual payments of \$62,842 ◆ The executive recommends deleting 8.71 FTE and funding in brands enforcement due to issues with revenues to the primary funding source ◆ Major initiatives in the executive budget are: <ul style="list-style-type: none"> • Funding brucellosis surveillance • Maintaining the animal health system ◆ General fund increases by 53.85% over the biennium primarily due to the brucellosis surveillance program, DSA veterinarian and compliance specialist funding, and animal health system network support fees ◆ The agency did not provide pay plan pay increases during the 2013 biennium
Legislative Action Issues
<ul style="list-style-type: none"> ◆ Major/Agency Wide Issues <ul style="list-style-type: none"> • The per capita fee fund and the animal health fund need to be reviewed for stagnant revenues • The Board of Horseracing is not self-sufficient and required a large general fund loan in the 2013 biennium

Agency Discussion

Agency Personal Services

- o The department strives to have salaries for all employees, including new hires, at 90% of the 2006 market survey
- o Currently, employees average at 78% of the 2012 market midpoints
- o No general pay increases were provided in the 2013 biennium
- o Turnover is generally low. Based on a comparison of budgeted to utilized hours, the agency had an overall vacancy savings rate of 8.2% in FY 2012 compared to a legislatively budgeted 4%
- o Just over 16% of employees are eligible for retirement in the 2015 biennium

Agency Wide Decision Packages

In the previous biennium, the legislature approved several vehicle purchases across the department. In the 2015 biennium, the executive is proposing to lease vehicles from the state motor pool. The figure below shows the number of leased vehicles requested by division, along with the number of vehicles the legislature provided funding to buy in the 2013 biennium.

Program	Vehicles Purchased			Vehicles Leased		
	FY 2012	FY 2013		FY 2014	FY 2015	
Animal Health	1	\$0	\$26,000	1	\$2,487	\$2,420
Brands	0	0	0	4	5,154	9,679
Milk and Egg	<u>2</u>	<u>26,000</u>	<u>26,000</u>	<u>2</u>	<u>2,487</u>	<u>4,840</u>
Total	<u>3</u>	<u>\$26,000</u>	<u>\$52,000</u>	<u>7</u>	<u>\$10,128</u>	<u>\$16,939</u>

Funding

The following table shows agency funding by source of authority, as proposed by the executive. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Department Of Livestock Funding by Source of Authority 2015 Biennium Budget					
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	\$3,041,829	\$0	\$0	\$3,041,829	13.7%
State Special Total	14,816,957	-	1,469,766	16,286,723	73.5%
Federal Special Total	2,820,696	-	-	2,820,696	12.7%
Proprietary Total	-	-	-	-	0.0%
Current Unrestricted	-	-	-	-	0.0%
Other Total	-	-	-	-	0.0%
Total All Funds	<u>\$20,679,482</u>	<u>\$0</u>	<u>\$1,469,766</u>	<u>\$22,149,248</u>	
Percent - Total All Sources	93.4%	0.0%	6.6%		

The Department of Livestock is funded with general fund, state special revenue, and federal special revenue. General fund provides support for some administrative functions, the diagnostic lab, and meat and poultry inspections. The executive budget contains a 53.85 % increase in general fund from the 2013 biennium. The increase is mainly attributable to present law adjustments; costs associated with the brucellosis designated surveillance area (DSA), and funding for a DSA veterinarian and compliance specialist. A further discussion is included in the Animal Health Division.

Federal special revenue comes from the bison operations cooperative agreement, the Greater Yellowstone Interagency Brucellosis Committee grant for contracted research, and from the U.S. Department of Agriculture in match funds for meat and poultry inspection.

State special revenue in the Department of Livestock is derived primarily from taxes and fees assessed to livestock owners on a per capita basis and accounts for 72% of the total budget. Three state special revenue funds comprise over 90% of state special revenues in the department. While two of the funds are used for specific activities, they are both supplemented by the primary funding state special revenue source, the per capita fee fund. Therefore, the fates of each of the accounts are intertwined and must be looked at in total. The following table shows the functions of the department and the related funding sources.

2015 Biennium Funding							
Funding Source	Division						Total
	Central Services	Laboratory	Animal Health	Milk & Egg	Brands	Meat & Poultry	
General Fund	\$165,431	\$579,108	\$1,013,028	\$0	\$5,886	\$1,278,376	\$3,041,829
Per Capita Fee	2,734,121	1,278,613	1,299,735	0	3,382,356	0	8,694,825
Animal Health	0	2,051,319	77,888	686,418	0	11,435	2,827,060
Inspection & Control	0	0	0	0	2,464,432	0	2,464,432
Other State Special	710,542	0	0	120,098	0	0	830,640
Federal	0	0	1,485,340	56,980	0	1,278,376	2,820,696
Total	\$3,610,094	\$3,909,040	\$3,875,991	\$863,496	\$5,852,674	\$2,568,187	\$20,679,482

There are two primary issues with the three dominant state special revenue funds:

- 1) Two of the funds are not sustainable over time with current anticipated revenues and requested expenditures
- 2) The per capita fee is being used to provide supplementary funding for both funds

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Two State Special Funds are not Sustainable

The inspection and control fund and the animal health fund are not sustainable over time. In addition, the executive is proposing reductions in operations in the Brands Enforcement Division and the Diagnostic Laboratory and further supplementary funding from the per capita fund in the 2015 biennium.

Inspection and Control Fund

The inspection and control fund supports brand enforcement functions and derives its revenues from brand recordings and market and local inspections. The following table shows actual expenditures through FY 2012, and appropriated and requested expenditures and projected revenues through the 2015 biennium.

Department of Livestock Inspection and Control Fund				
	Actual FY 2012	Appropriated FY 2013	Executive Request FY 2014 FY 2015	
Beginning Balance	\$256,353	\$81,645	(\$207,666)	\$753,120
Revenues	1,926,537	1,831,819	1,706,319	1,721,319
<u>Expenditures</u>				
Brands Enforcement	(2,101,245)	(2,121,130)	(745,533)	(1,718,899)
Ending Fund Balance	<u>\$81,645</u>	<u>(\$207,666)</u>	<u>\$753,120</u>	<u>\$755,540</u>
FTE	57.71	57.71	49.00	49.00

As shown, the fund is structurally imbalanced in FY 2012 and FY 2013, with structural imbalance prevented in subsequent years by a sharp decrease in expenditures from the fund in the proposed FY 2014 budget, and maintenance of reductions in FY 2015. This reduction is due to the combination of two factors:

- o A proposed reduction of 8.71 FTE brands inspectors; and
- o A one-year increase in supplemental funding from the livestock per capita fund in FY 2014

The following shows actual and appropriated funding in the 2013 biennium and proposed funding for the Brands Enforcement Division in the 2015 biennium. As shown, additional funding from the per capita fee would be used to help stabilize the fund in FY 2014, with continued additional support from the per capita fee in subsequent years.

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Brands Enforcement Division 2013 and 2015 Biennia							
State Fiscal Year	Total	General Fund	Percent of Total	Inspection Control	Percent of Total	Livestock Per Capita	Percent of Total
Actual 2012	\$3,253,883	\$2,943	0.1%	\$2,100,786	64.6%	\$1,150,154	35.3%
Appropriated 2013	\$3,232,738	2,943	0.1%	2,092,199	64.7%	1,137,596	35.2%
Proposed 2014	\$2,920,547	2,943	0.1%	745,533	25.5%	2,172,071	74.4%
Proposed 2015	\$2,932,127	2,943	0.1%	1,718,899	58.6%	1,210,285	41.3%

A further discussion is in the Brands Enforcement Division in this agency's narrative.

Animal Health Fund

The animal health fund derives revenue from lab testing fees and milk and egg inspection fees. The diagnostic lab and the milk and egg functions are supported by this fund. The department has had challenges balancing expenditures with revenues. The following shows actuals through FY 2012, and appropriated and requested expenditures and projected revenues through the 2015 biennium. Milk and egg fees are driven by industry inspection requirements. The fees for lab activities have not been adjusted since December 2007; therefore, any increase in revenues is dependent upon lab activities. Total revenues are as estimated by LFD staff based on historical data.

Department of Livestock Animal Health Fund				
	Actual FY 2012	Appropriated FY 2013	Executive Request	
			FY 2014	FY 2015
Beginning Balance	\$268,023	\$12,498	(\$77,264)	\$36,087
Revenues*	1,185,927	1,332,021	1,332,021	1,332,021
<u>Expenditures</u>				
Central Services	\$0	\$0	\$0	\$0
Laboratory	1,123,370	1,139,269	974,975	1,076,344
Animal Health	6,934	60,829	38,970	38,918
Milk & Egg	305,222	358,177	341,216	345,202
Brands	0	0	0	0
Meat & Poultry	5,926	5,717	5,718	5,717
Total Expenditures	<u>\$1,441,452</u>	<u>\$1,563,992</u>	<u>\$1,360,879</u>	<u>\$1,466,181</u>
Ending Fund Balance	\$12,498	(\$219,473)	(\$106,122)	(\$98,073)

As shown, the account is projected to be negative at the end of FY 2013 if all appropriations are expended, even with no support provided to the Central Services Division. The executive proposes to reduce expenditures in the 2015 biennium. However, this reduction is not enough to restore a positive fund balance, and the account remains structurally unbalanced.

If this fund is to achieve balance without further supplementary funding from the per capita fee or the general fund, either laboratory fees must be raised or expenditures further curtailed.

A further discussion of this fund, including proposed operational adjustments, is in the narrative for the Diagnostic Laboratory.

Livestock Per Capita Fee Fund

Fund Balance

The livestock per capita fund is the largest state special revenue fund supporting this agency and supports animal health functions in the Animal Health Division and the Diagnostic Laboratory, predator control, the Centralized Services Division, and a portion of the Brand Enforcement Division. Per capita revenue is derived by taxation on the ownership of livestock and interest earnings on the fund balance, with fees set by the Board of Livestock annually. The following table shows the revenues to and actual and proposed expenditures from the fund through the 2015 biennium. Estimated revenues reflect recent increases in revenues adopted by the board.

Department of Livestock Per Capita Fund				
	Actual FY 2012	Appropriated FY 2013	Executive Request	
			FY 2014	FY 2015
Beginning Balance	\$1,097,858	\$871,362	\$913,675	\$291,737
Revenues	\$4,028,207	\$4,268,823	\$4,278,823	\$4,288,823
<u>Expenditures</u>				
Central Services	\$1,680,742	\$1,542,588	\$1,389,141	\$1,344,980
Laboratory	551,252	564,700	689,701	588,912
Animal Health	871,942	973,357	649,848	649,887
Milk & Egg	1,695	0	0	0
Brands	1,149,072	1,145,865	2,172,071	1,210,285
Meat & Poultry	0	0	0	0
Total Expenditures	<u>\$4,254,703</u>	<u>\$4,226,510</u>	<u>\$4,900,761</u>	<u>\$3,794,064</u>
Ending Fund Balance	<u>\$871,362</u>	<u>\$913,675</u>	<u>\$291,737</u>	<u>\$786,496</u>

As shown in the table and discussed above, the executive is using this account to float the inspection and control fund and the animal health fund in FY 2014. While the per capita fee fund balance is not jeopardized by this action, the question for the legislature is whether the other two funds should be adjusted to be more sustainable over the long-term.

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ISSUE**
Brucellosis Control in the Animal Health Division

The executive is requesting \$1.0 million in general fund over the biennium for brucellosis control in the Animal Health Division. In the 2013 biennium this function was appropriated by the legislature on a one-time-only basis using 50% general fund and 50% per capita funds. The executive states that it is requesting 100% general fund because the per capita fee is not sustainable for this purpose.

As shown in the table, the fund would have sufficient resources to cover one-half of this cost over the biennium in FY 2015 without sacrificing structural balance. In FY 2014, only the subsidization of both the laboratory and brands enforcement puts the fund into temporary imbalance.

Option

Fund a portion of the request for funds for brucellosis control with per capita fees.

Revenues

The Board of Livestock annually evaluates a number of factors to determine if and how much the per capita tax rate should change. The change is limited in statute (15-24-922, MCA) to 110% of the average of the past three years less a reasonable nonpayment rate. The board increased the per capita fee in FY 2012 and again in FY 2013. Increased revenues totaled about \$310,400 in FY 2012 and \$271,500 in FY 2013. The executive budget assumes a further increase of about 3.3% in the 2015 biennium, or about \$270,616 in additional revenues above the 2013 biennium.

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ISSUE**
Alternative Collection Method

As stated, the Board of Livestock is by statute the entity that determines fees, within statutory limitations. However, the legislature could take action if it feels a revenue increase is necessary by seeking an alternative method to collect fees.

Currently, the Department of Revenue releases a survey to registered livestock owners to obtain information regarding animal count. The owner returns the survey to the department and receives an invoice for the per capita amount owed. The Department of Revenue does not actively seek out individuals who owe this fee. Either the livestock owner has to contact the department, or it is noted in an onsite visit to appraise real estate and a survey is sent out.

The current process does not reach all livestock owners, and therefore does not maximize revenues to the department. Revenues could potentially be increased if the process was simplified. The legislature could consider establishing a new collection method, such as via income tax returns, by completing the tax form as part of the routine tax filing process.

Legislative Option

Direct the agency to pursue alternate collection strategies with the Department of Revenue and report to the appropriate legislative interim committee.

**LFD
COMMENT**

Board of Horse Racing (BOHR)

In 2011, the legislature passed SB 16, which required a person conducting simulcast racing through a simulcast parimutual network to enter into a contract with the BOHR.. The BOHR was funded in the 2013 biennium from a statutory appropriation (23-4-105, MCA) from the BOHR operations fund and the BOHR simulcast fund.

The activities of the BOHR were intended to be self-sufficient by entering into simulcast contracts. However, in the first 18 months of operation in the 2013 biennium the board had a projected funding deficit of more than \$600,000. The primary causes of the shortfall include not collecting revenues from contracts and entering into contracts without having revenues to support them.

In March FY 2012, the board received a general fund loan of \$609,638, to be repaid over a period of eight years. By the end of the fiscal year, the board had accumulated additional debt and the final loan was revised to \$628,428, to be repaid over a period of ten years with annual payments of \$62,842. There is no interest paid on loans made from the general fund to other funds.

The board authorized repayment of the loan from advance deposit wagering and fantasy sports revenue. The board receives a portion of revenues (16% of the total funds deposited for the fantasy sports league wagering) from the Montana Lottery. Additionally, 1% of advance deposit wagering handled through the pari-mutuel system is used for repayment of the loan. These funds would have been used by the board for operating expenses. These sources appear to be steady, albeit small amounts, of revenue. The first payment was made at the end of FY 2012.

Currently, the board has hired a simulcast manager that had previously run the program successfully. The executive is proposing to reduce 1.03 FTE and \$68,519 in FY 2014 and \$68,427 in FY 2015 of state special revenue funding associated with board activities in order to align funding to projected revenue. The board anticipates to continue fully functioning during the 2015 biennium. The executive projects \$664,744 over the biennium from the statutory appropriation provided in 23-4-105, MCA.

The board is currently running a positive balance with current revenues.

The most recent audit report can be found at

http://www.leg.mt.gov/css/publications/audit/audit_reports_AgencyAlpha.asp

The report presented to the Legislative Finance Committee can be found at

http://www.leg.mt.gov/content/Publications/fiscal/interim/2012_financemty_Sept/BOHR%20Memo.pdf

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. A summary of the entire 2015 biennium 5% plan submitted for this agency is in the appendix.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	986,083	986,083	1,972,166	64.83%	9,920,944	9,920,944	19,841,888	95.95%
Statewide PL Adjustments	(13,433)	(11,903)	(25,336)	(0.83%)	378,702	348,295	726,997	3.52%
Other PL Adjustments	27,212	15,487	42,699	1.40%	(13,348)	(24,514)	(37,862)	(0.18%)
New Proposals	526,251	526,049	1,052,300	34.59%	75,806	72,653	148,459	0.72%
Total Budget	\$1,526,113	\$1,515,716	\$3,041,829		\$10,362,104	\$10,317,378	\$20,679,482	

Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	20.78	20.78	19.75	19.75	20.78	19.75	(1.03)	(4.96%)
Personal Services	1,138,874	1,190,550	1,162,364	1,161,731	2,329,424	2,324,095	(5,329)	(0.23%)
Operating Expenses	509,872	762,037	583,979	535,728	1,271,909	1,119,707	(152,202)	(11.97%)
Equipment & Intangible Assets	7,149	9,352	7,149	7,149	16,501	14,298	(2,203)	(13.35%)
Benefits & Claims	0	0	0	0	0	0	0	n/a
Transfers	75,997	0	75,997	75,997	75,997	151,994	75,997	100.00%
Total Costs	\$1,731,892	\$1,961,939	\$1,829,489	\$1,780,605	\$3,693,831	\$3,610,094	(\$83,737)	(2.27%)
General Fund	67,374	70,100	85,077	80,354	137,474	165,431	27,957	20.34%
State Special	1,664,518	1,891,839	1,744,412	1,700,251	3,556,357	3,444,663	(111,694)	(3.14%)
Total Funds	\$1,731,892	\$1,961,939	\$1,829,489	\$1,780,605	\$3,693,831	\$3,610,094	(\$83,737)	(2.27%)

Program Description

The Centralized Services Division is responsible for:

- Budgeting
- Accounting
- Payroll
- Personnel
- Legal services
- Purchasing
- Administrative
- Information technology
- Public information
- General services functions
- Supervising the Milk Control Bureau and Livestock Loss Board staff, both of which are administratively attached to the department

The Predator Control Program is administered by the Board of Livestock and the executive officer. The Livestock Crimestoppers Commission and the Beef Research and Marketing Committee are also administratively attached. The 57th Legislature administratively attached the Board of Horse Racing (BOHR) to the Department of Livestock. The BOHR and its staff report directly to the executive officer.

Program Highlights

Centralized Services Division Major Budget Highlights
<ul style="list-style-type: none"> ◆ The Governor's proposed budget increases by 2.3% from the previous biennium due to statewide present law adjustments and new proposals, primarily to add other funding sources ◆ The Board of Horse Racing was given a general fund loan of \$628,428, to be repaid over a period of ten years with annual payments of \$62,842. ◆ The executive proposes to reduce 1.03 FTE and \$68,519 in FY 2014 and \$68,427 in FY 2015 of state special revenue funding associated with the Board of Horse Racing (BOHR) activities in order to align expenditures with available funding

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Department Of Livestock Funding by Source of Authority 2015 Biennium Budget - Centralized Services Program							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$165,431	\$0	\$0	\$165,431	3.3%		
State Special Total	\$3,444,663	\$0	\$1,469,766	\$4,914,429	96.7%		
02029 Board Of Horse Racing	\$174,978	\$0	\$258,000	\$432,978	8.5%	23-4-105	Pass Thru
02063 Bohr Simulcast	\$120,000	\$0	\$111,766	\$231,766	4.6%	23-4-105	Pass Thru
02117 Predatory Animal Ssr	\$0	\$0	\$700,000	\$700,000	13.8%	81-7-106	Direct
02124 Llbn Restriced	\$0	\$0	\$400,000	\$400,000	7.9%	81-1-110	Pass Thru
02426 Lvstk Per Capita	\$2,734,121	\$0	\$0	\$2,734,121	53.8%		
02817 Milk Control Bureau	\$415,564	\$0	\$0	\$415,564	8.2%		
Total All Funds	\$3,610,094	\$0	\$1,469,766	\$5,079,860	100.0%		
Percent - Total All Sources	71.1%	0.0%	28.9%				

The Centralized Services Division is primarily funded by livestock per capita fees, accounting for 72% of funding. The remaining special revenue supports the administratively attached Milk Control Bureau and Board of Horse Racing. General fund accounts for just over 5%, which supports operations and payment for wolf losses.

Please refer to the summary portion of the analysis for an update on the Board of Horse Racing.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	67,374	67,374	134,748	81.45%	1,731,892	1,731,892	3,463,784	95.95%
Statewide PL Adjustments	1,377	1,654	3,031	1.83%	121,847	77,871	199,718	5.53%
Other PL Adjustments	16,326	11,326	27,652	16.72%	39,936	34,936	74,872	2.07%
New Proposals	0	0	0	0.00%	(64,186)	(64,094)	(128,280)	(3.55%)
Total Budget	\$85,077	\$80,354	\$165,431		\$1,829,489	\$1,780,605	\$3,610,094	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

	Fiscal 2014					Fiscal 2015				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Present Law Adjustments										
Personal Services					141,569					140,813
Vacancy Savings					(50,960)					(50,929)
Inflation/Deflation					(107)					152
Fixed Costs					31,345					(12,165)
Total Statewide Present Law Adjustments		\$1,377	\$120,470	\$0	\$121,847		\$1,654	\$76,217	\$0	\$77,871
DP 101 - Replacement Personal Computers	0.00	0	18,610	0	18,610	0.00	0	18,610	0	18,610
DP 102 - Animal Health System Maintenance	0.00	5,000	5,000	0	10,000	0.00	5,000	5,000	0	10,000
DP 103 - Animal Health System Customization (OTO)	0.00	5,000	0	0	5,000	0.00	0	0	0	0
DP 106 - Livestock Loss Board Meetings	0.00	6,326	0	0	6,326	0.00	6,326	0	0	6,326
Total Other Present Law Adjustments	0.00	\$16,326	\$23,610	\$0	\$39,936	0.00	\$11,326	\$23,610	\$0	\$34,936
Grand Total All Present Law Adjustments	0.00	\$17,703	\$144,080	\$0	\$161,783	0.00	\$12,980	\$99,827	\$0	\$112,807

DP 101 - Replacement Personal Computers – The executive requests funding to continue replacing computers on a five year cycle. The amount requested, all from state special revenue, accounts for the additional amount above and beyond the base (\$9,990), which replaces 22 computers.

DP 102 - Animal Health System Maintenance – The executive requests 50% general fund and 50% state special revenue each year of the 2015 biennium for network support and software maintenance costs for the USAHerds system. The system came on line in January of 2011 and maintenance costs were not billed in FY 2012. This system is used by the department to manage the importing of animals into the state, and to track and manage animal diseases.

LFD COMMENT This request would be an annual expense.

DP 103 - Animal Health System Customization (OTO) - This proposal adds general fund one-time-only funding in FY 2014 for customization of the USAHerds system.

DP 106 - Livestock Loss Board Meetings – Expenditures in the base for the Livestock Loss Board (LLB) include two in-person meetings. The executive requests funding for four in-person meetings. The total cost for four meetings is \$12,652, or an increase of \$6,326 over base expenditures.

New Proposals

Program	Fiscal 2014					Fiscal 2015				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 109 - Board of Horse Racing Adjustment										
01	(1.03)	0	(68,519)	0	(68,519)	(1.03)	0	(68,427)	0	(68,427)
DP 6101 - Professional Development Center Fee Allocation										
01	0.00	0	4,333	0	4,333	0.00	0	4,333	0	4,333
Total	(1.03)	\$0	(\$64,186)	\$0	(\$64,186)	(1.03)	\$0	(\$64,094)	\$0	(\$64,094)

DP 109 - Board of Horse Racing Adjustment – The executive proposes to reduce 1.03 FTE and \$68,519 in FY 2014 and \$68,427 in FY 2015 of state special revenue funding associated with the Board of Horse Racing (BOHR) activities in order to align expenditures to available funding.

DP 6101 - Professional Development Center Training Fee Alloc - The executive requests an increase for training services purchased from the Professional Development Center (PDC) of the Department of Administration. This request reflects the difference between the amount paid in the base for PDC services and a fixed cost allocation based on agency FTE counts. Starting in the 2015 biennium and beyond, the executive recommends funding the PDC as a fixed cost item. For a further discussion, see the narrative for the Department of Administration.

Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	21.76	21.76	21.76	21.76	21.76	21.76	0.00	0.00%
Personal Services	1,147,130	1,178,036	1,196,492	1,198,472	2,325,166	2,394,964	69,798	3.00%
Operating Expenses	793,588	751,342	733,166	731,226	1,544,930	1,464,392	(80,538)	(5.21%)
Equipment & Intangible Assets	0	5,258	0	0	5,258	0	(5,258)	(100.00%)
Debt Service	24,842	25,000	24,842	24,842	49,842	49,684	(158)	(0.32%)
Total Costs	\$1,965,560	\$1,959,636	\$1,954,500	\$1,954,540	\$3,925,196	\$3,909,040	(\$16,156)	(0.41%)
General Fund	302,657	303,837	289,824	289,284	606,494	579,108	(27,386)	(4.52%)
State Special	1,662,903	1,655,799	1,664,676	1,665,256	3,318,702	3,329,932	11,230	0.34%
Federal Special	0	0	0	0	0	0	0	n/a
Total Funds	\$1,965,560	\$1,959,636	\$1,954,500	\$1,954,540	\$3,925,196	\$3,909,040	(\$16,156)	(0.41%)

Program Description

The Diagnostic Laboratory provides livestock laboratory diagnostic support for livestock producers and the Animal Health and Milk and Egg programs. Testing is done for zoonotic diseases and on dairy products to protect the health of Montana citizens. Laboratory testing services are conducted upon request to assist animal owners; veterinarians; the Department of Fish, Wildlife and Parks; and other agencies in protecting the health of animals, wildlife, and the public.

Program Highlights

Diagnostic Laboratory Program	
Major Budget Highlights	
◆	The Governor's proposed budget decreases by 0.41% from the previous biennium due to statewide present law adjustments, offset by a \$55,000 operations reduction.
Major LFD Issues	
◆	The animal health fund is not structurally balanced
◆	Lab fees have not been increased since December 2007 despite rising costs

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Department Of Livestock Funding by Source of Authority 2015 Biennium Budget - Diagnostic Laboratory Program						
Funds	HB 2	Non-Budgeted Proprietary	Statutory appropriatio	Total All Sources	% Total All Funds	MCA Reference Category
General Fund	\$579,108	\$0	\$0	\$579,108	14.8%	
State Special Total	\$3,329,932	\$0	\$0	\$3,329,932	85.2%	
02426 Lvstk Per Capita	\$1,278,613	\$0	\$0	\$1,278,613	32.7%	
02427 Animal Health	\$2,051,319	\$0	\$0	\$2,051,319	52.5%	
Total All Funds	\$3,909,040	\$0	\$0	\$3,909,040	100.0%	
Percent - Total All Sources	100.0%	0.0%	0.0%			

The Diagnostic Laboratory (lab) is supported with general fund, animal health fees, and per capita fees. The Diagnostic Laboratory (lab) is located on the Montana State University campus in Bozeman. The lab provides fee for-service testing to veterinarians, livestock producers, and public health and wildlife agencies. The legislature determined in previous sessions that a portion of the laboratory provided services in the general public interest, and began supplementing the lab fees with general fund to support those functions. In addition, the livestock per capita fee also supplements laboratory testing income.

The following shows the allocation of total funding since FY 2008, with appropriated FY 2013 and proposed 2015 biennium funding.

Diagnostic Laboratory Funding Selected FY 2008 through 2015 Biennium							
State Fiscal Year	Total Funds	General Fund	% of Total	Animal Health	% of Total	Livestock Per Capita	% of Total
Actual 2008*	\$1,664,732	\$446,155	26.8%	\$1,153,069	69.3%	\$55,457	3.3%
Actual 2010	1,699,890	410,574	24.2%	1,070,215	63.0%	219,101	12.9%
Actual 2012	1,965,560	302,657	15.4%	1,118,210	56.9%	544,693	27.7%
Proposed 2014	1,954,500	289,824	14.8%	974,975	49.9%	689,701	35.3%
Proposed 2015	1,954,540	289,284	14.8%	1,076,344	55.1%	588,912	30.1%

*Total includes \$10,051 of federal funds

As shown, per capita fee support for this function increased between FY 2008 and FY 2012. For the 2015 biennium, the executive is requesting a further funding shift by increasing per capita fee authority and decreasing animal health and general fund authority (with a partial reversal in FY 2015). The legislature may wish to consider the impact of the proposed budget as well as evaluate other options.

Detailed information on funding impacts can be found in the summary.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	302,657	302,657	605,314	104.53%	1,965,560	1,965,560	3,931,120	100.56%
Statewide PL Adjustments	(12,833)	(13,373)	(26,206)	(4.53%)	33,632	36,466	70,098	1.79%
Other PL Adjustments	0	0	0	0.00%	6,808	7,514	14,322	0.37%
New Proposals	0	0	0	0.00%	(51,500)	(55,000)	(106,500)	(2.72%)
Total Budget	\$289,824	\$289,284	\$579,108		\$1,954,500	\$1,954,540	\$3,909,040	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					99,217					101,278
Vacancy Savings					(49,855)					(49,936)
Inflation/Deflation					(4,313)					(3,720)
Fixed Costs					(11,417)					(11,156)
Total Statewide Present Law Adjustments		(\$12,833)	\$46,465	\$0	\$33,632		(\$13,373)	\$49,839	\$0	\$36,466
DP 302 - Milk Lab Incubator (OTO)	0.00	0	2,000	0	2,000	0.00	0	0	0	0
DP 304 - Lab Recharges to MSU	0.00	0	4,808	0	4,808	0.00	0	7,514	0	7,514
Total Other Present Law Adjustments	0.00	\$0	\$6,808	\$0	\$6,808	0.00	\$0	\$7,514	\$0	\$7,514
Grand Total All Present Law Adjustments	0.00	(\$12,833)	\$53,273	\$0	\$40,440	0.00	(\$13,373)	\$57,353	\$0	\$43,980

DP 302 - Milk Lab Incubator (OTO) - The executive is requesting to replace a 20 year old incubator in the milk lab from state special revenue funds.

DP 307 - Lab Recharges to MSU - The executive is requesting an increase to the base in the 2015 biennium. MSU charges the lab for facility services. Lab recharges are assessed by MSU for facility services based upon square footage. Recharges for the Diagnostic Lab are scheduled to increase. (See previous page for explanation of charges.)

New Proposals

New Proposals	-----Fiscal 2014-----					-----Fiscal 2015-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 301 - Operational Reduction and Fund Switch											
03	0.00	0	(55,000)	0	(55,000)	0.00	0	(55,000)	0	(55,000)	
DP 303 - PCR Shaker and Micro Centrifuge (OTO)											
03	0.00	0	3,500	0	3,500	0.00	0	0	0	0	
Total	0.00	\$0	(\$51,500)	\$0	(\$51,500)	0.00	\$0	(\$55,000)	\$0	(\$55,000)	

DP 301 - Operational Reduction and Fund Switch – The executive proposes to remove \$55,000 of per capita fee state special revenue funding and operational expenditures each year of the 2015 biennium. In addition, animal health state special revenue funding is replaced with per capita fee state special revenue in FY 2014 in order to balance the department's expenditures with available funding.

DP 305 - PCR Shaker and micro centrifuge - The executive requests OTO state special revenue to replace the PCR (Polymerase Chain Reaction) machine, a molecular biological test of DNA, that producers use to identify specific animal diseases in a timely manner. The testing procedure generates significant revenue for the department.

Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	13.50	13.50	15.50	15.50	13.50	15.50	2.00	14.81%
Personal Services	613,170	804,387	957,044	956,146	1,417,557	1,913,190	495,633	34.96%
Operating Expenses	760,180	715,128	981,743	981,058	1,475,308	1,962,801	487,493	33.04%
Equipment & Intangible Assets	0	38,831	0	0	38,831	0	(38,831)	(100.00%)
Total Costs	\$1,373,350	\$1,558,346	\$1,938,787	\$1,937,204	\$2,931,696	\$3,875,991	\$944,295	32.21%
General Fund	0	0	506,615	506,413	0	1,013,028	1,013,028	n/a
State Special	643,558	713,838	688,818	688,805	1,357,396	1,377,623	20,227	1.49%
Federal Special	729,792	844,508	743,354	741,986	1,574,300	1,485,340	(88,960)	(5.65%)
Total Funds	\$1,373,350	\$1,558,346	\$1,938,787	\$1,937,204	\$2,931,696	\$3,875,991	\$944,295	32.21%

Program Description

The Animal Health Division (State Veterinarian Office) provides diagnosis, prevention, control, and eradication of animal diseases, including those in bison and alternative livestock animals. The program cooperates with the Departments of Public Health and Human Services and Fish, Wildlife and Parks and the US Department of Agriculture to protect human health from animal diseases transmissible to humans. Sanitary standards are supervised for animal concentration points, such as auction markets. Rabies Control protects public and animal health from rabies by monitoring new rabies infections and enforcing quarantines.

Program Highlights

Animal Health Division Major Budget Highlights
<ul style="list-style-type: none"> ◆ The Governor’s proposed budget increases by 32.2% from the previous biennium due primarily to statewide present law adjustments and an adjustment to the base for brucellosis testing and an expanded testing area ◆ Although the department received funding to purchase vehicles during the 2013 biennium, the executive is requesting to lease vehicles in the next biennium

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Department Of Livestock Funding by Source of Authority 2015 Biennium Budget - Animal Health Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$1,013,028	\$0	\$0	\$1,013,028	26.1%		
State Special Total	\$1,377,623	\$0	\$0	\$1,377,623	35.5%		
02426 Lvstk Per Capita	\$1,299,735	\$0	\$0	\$1,299,735	33.5%		
02427 Animal Health	\$77,888	\$0	\$0	\$77,888	2.0%		
Federal Special Total	\$1,485,340	\$0	\$0	\$1,485,340	38.3%		
03427 Bison Trap Funds	\$1,485,340	\$0	\$0	\$1,485,340	38.3%		
Total All Funds	\$3,875,991	\$0	\$0	\$3,875,991	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The program is predominantly funded with state special revenue from the per capita fund to support disease control, import/export activities, and alternative livestock activities. Federal funds support cattle health operations research and cooperative efforts. General fund is proposed to support brucellosis activities for the 2015 biennium.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Budget Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Budget Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	1,373,350	1,373,350	2,746,700	70.86%
Statewide PL Adjustments	0	0	0	0.00%	204,306	203,225	407,531	10.51%
Other PL Adjustments	0	0	0	0.00%	(145,484)	(145,784)	(291,268)	(7.51%)
New Proposals	506,615	506,413	1,013,028	100.00%	506,615	506,413	1,013,028	26.14%
Total Budget	\$506,615	\$506,413	\$1,013,028		\$1,938,787	\$1,937,204	\$3,875,991	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

	Fiscal 2014					Fiscal 2015				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Present Law Adjustments										
Personal Services					244,744					244,018
Vacancy Savings					(34,317)					(34,287)
Inflation/Deflation					(2,106)					(1,150)
Fixed Costs					(4,015)					(5,356)
Total Statewide Present Law Adjustments		\$0	\$42,773	\$161,533	\$204,306		\$0	\$42,827	\$160,398	\$203,225
DP 403 - Vehicle Lease -Animal Health Division	0.00	0	2,487	0	2,487	0.00	0	2,420	0	2,420
DP 404 - Cattle Health (Bison) Fund Reduction	0.00	0	0	(147,971)	(147,971)	0.00	0	0	(148,204)	(148,204)
Total Other Present Law Adjustments	0.00	\$0	\$2,487	(\$147,971)	(\$145,484)	0.00	\$0	\$2,420	(\$148,204)	(\$145,784)
Grand Total All Present Law Adjustments	0.00	\$0	\$45,260	\$13,562	\$58,822	0.00	\$0	\$45,247	\$12,194	\$57,441

DP 403 - Vehicle Lease -Animal Health Division – The executive requests funding to replace one vehicle with a leased vehicle from the DOT motor pool over the biennium. The vehicle is used by animal health inspectors traveling over 40,000 miles a year investigating animal disease and import violations.

LFD COMMENT	Last biennium the executive request for additional funds to purchase vehicles was approved. However, the executive would like the department to begin leasing vehicles from the DOT motor pool and has several requests for this funding in several programs. For a further discussion, see the Summary section of this agency’s narrative.
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DP 404 - Cattle Health (Bison) Fund Reduction – The executive requests reducing cattle health (bison) federal funds to the amount anticipated to be received, or \$716,000. The reduction may have an impact on contracts with the Department of Fish, Wildlife, and Park, that do brucellosis testing of wildlife.

New Proposals

Program	Fiscal 2014					Fiscal 2015				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 401 - DSA Vet and Compliance Specialist (OTO)										
04	2.00	133,447	0	0	133,447	2.00	133,245	0	0	133,245
DP 402 - DSA Brucellosis Testing (OTO)										
04	0.00	373,168	0	0	373,168	0.00	373,168	0	0	373,168
Total	2.00	\$506,615	\$0	\$0	\$506,615	2.00	\$506,413	\$0	\$0	\$506,413

DP 401 - DSA Vet and Compliance Specialist - The executive requests general fund for a veterinarian and a compliance specialist for the Designated Surveillance Area (DSA) for brucellosis control in Montana.

LFD COMMENT	The legislature approved an OTO appropriation for a DSA Veterinarian and Compliance Specialist for the 2013 biennium. The executive continues to request this appropriation as an OTO because it is unknown whether it would be a permanent need for the agency.
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DP 402 - Brucellosis Testing - Designated Surveillance Area OTO- The executive requests general fund for brucellosis surveillance in Montana to maintain brucellosis free status in Montana. The cost per test is estimated at \$9.89 and an

estimated 37,731 cattle tested = \$373,168 each year. The DSA has expanded over this last biennium and covers approximately 6,000 square miles, including parts of Park, Gallatin, Madison, and Beaverhead counties.

**LFD
COMMENT**

The legislature has funded this function for the previous two biennia: 1) \$1.1 million for the 2011 biennium; and 2) \$863,284 for the 2013 biennium. In previous years, the funding has been 50% general fund and 50% state special revenue. The executive is requesting funding for the DSA from the general fund because it states the department doesn't have special revenue that could carry the cost. However, the per capita fee could likely fund a portion of this request. For a further discussion, see the discussion of the per capita fund in the summary section of this agency narrative.

Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	6.50	6.50	6.50	6.50	6.50	6.50	0.00	0.00%
Personal Services	304,972	426,661	366,786	367,934	731,633	734,720	3,087	0.42%
Operating Expenses	65,008	53,720	62,969	65,807	118,728	128,776	10,048	8.46%
Equipment & Intangible Assets	0	0	0	0	0	0	0	n/a
Total Costs	\$369,980	\$480,381	\$429,755	\$433,741	\$850,361	\$863,496	\$13,135	1.54%
State Special	341,490	451,893	401,265	405,251	793,383	806,516	13,133	1.66%
Federal Special	28,490	28,488	28,490	28,490	56,978	56,980	2	0.00%
Total Funds	\$369,980	\$480,381	\$429,755	\$433,741	\$850,361	\$863,496	\$13,135	1.54%

Program Description

The Milk and Egg Inspection program ensures that eggs, milk, and milk products sold or manufactured in Montana are fit for human consumption. Enforcement of state and federal laws is accomplished through licensing, sampling, laboratory testing, and product and site inspections, done in cooperation with other state and federal agencies.

Program Highlights

Milk and Egg Program Major Budget Highlights	
<ul style="list-style-type: none"> ◆ The Governor's proposed budget increases by 1.5% from the previous biennium due to statewide present law adjustments ◆ Although the department received funding to purchase vehicles last year, the executive is requesting to lease vehicles in the next biennium 	

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Department Of Livestock Funding by Source of Authority 2015 Biennium Budget - Milk & Egg Program							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
State Special Total	\$806,516	\$0	\$0	\$806,516	93.4%		
02262 Egg Shielded Grading Program	\$120,098	\$0	\$0	\$120,098	13.9%		
02427 Animal Health	\$686,418	\$0	\$0	\$686,418	79.5%		
Federal Special Total	\$56,980	\$0	\$0	\$56,980	6.6%		
03032 Animal Health Sp. Rev	\$56,980	\$0	\$0	\$56,980	6.6%		
Total All Funds	\$863,496	\$0	\$0	\$863,496	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

State special revenue from milk industry fees is the primary funding source for this division. Federal special revenues are provided by the U.S. Department of Agriculture to conduct shell egg surveillance.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	0	0	0	0.00%	369,980	369,980	739,960	85.69%
Statewide PL Adjustments	0	0	0	0.00%	57,288	58,921	116,209	13.46%
Other PL Adjustments	0	0	0	0.00%	2,487	4,840	7,327	0.85%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$0	\$0	\$0		\$429,755	\$433,741	\$863,496	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					77,097					78,293
Vacancy Savings					(15,283)					(15,331)
Inflation/Deflation					(1,260)					(811)
Fixed Costs					(3,266)					(3,230)
Total Statewide Present Law Adjustments		\$0	\$57,288	\$0	\$57,288		\$0	\$58,921	\$0	\$58,921
DP 501 - Milk and Egg Vehicle Lease	0.00	0	2,487	0	2,487	0.00	0	4,840	0	4,840
Total Other Present Law Adjustments	0.00	\$0	\$2,487	\$0	\$2,487	0.00	\$0	\$4,840	\$0	\$4,840
Grand Total All Present Law Adjustments	0.00	\$0	\$59,775	\$0	\$59,775	0.00	\$0	\$63,761	\$0	\$63,761

DP 501 - Milk and Egg Vehicle Lease - The executive requests funding to replace one vehicle with a leased vehicle from the DOT motor pool over the biennium. The vehicle is used by milk and egg inspectors traveling over 40,000 miles a year. This request replaces one of five pick-up trucks each year.

**LFD
COMMENT**

Last biennium the legislature provided funding to purchase vehicles. However, the executive would like the department to begin leasing vehicles from the DOT motor pool and has several requests for this funding in several programs. For a discussion, see the Summary section of this agency's narrative.

Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	57.71	57.71	49.00	49.00	57.71	49.00	(8.71)	(15.09%)
Personal Services	2,737,255	2,802,797	2,431,700	2,433,757	5,540,052	4,865,457	(674,595)	(12.18%)
Operating Expenses	516,628	449,624	488,847	498,370	966,252	987,217	20,965	2.17%
Equipment & Intangible Assets	0	9,248	0	0	9,248	0	(9,248)	(100.00%)
Total Costs	\$3,253,883	\$3,261,669	\$2,920,547	\$2,932,127	\$6,515,552	\$5,852,674	(\$662,878)	(10.17%)
General Fund	2,943	2,943	2,943	2,943	5,886	5,886	0	0.00%
State Special	3,250,940	3,258,726	2,917,604	2,929,184	6,509,666	5,846,788	(662,878)	(10.18%)
Federal Special	0	0	0	0	0	0	0	n/a
Total Funds	\$3,253,883	\$3,261,669	\$2,920,547	\$2,932,127	\$6,515,552	\$5,852,674	(\$662,878)	(10.17%)

Program Description

The Brands Enforcement Division is responsible for livestock theft investigations, stray livestock investigations, brand inspections, recording of livestock brands, filing of security interests on livestock, livestock auction licensing, livestock dealer licensing, hide inspections, and livestock inspections.

Program Highlights

Brands Enforcement Division Major Budget Highlights	
◆	The Governor's proposed budget decreases by 10.2% from the previous biennium due to statewide present law adjustments
Major LFD Issues	
◆	The executive proposes the elimination of 8.71 FTE for costs savings

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Department Of Livestock Funding by Source of Authority 2015 Biennium Budget - Brands Enforcement Division							
Funds	HB 2	Non- Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$5,886	\$0	\$0	\$5,886	0.1%		
State Special Total	\$5,846,788	\$0	\$0	\$5,846,788	99.9%		
02425 Inspection And Control	2,464,432	-	-	2,464,432	42.1%		
02426 Lvstck Per Capita	3,382,356	-	-	3,382,356	57.8%		
Total All Funds	\$5,852,674	\$0	\$0	\$5,852,674	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The Brand Enforcement Division is funded with per capita fees and inspection and control funds. Inspection and control funds are generated from brand recordings, and market and local inspections. General fund comprises less than 1% of

the total. As shown, the per capita fund would be sharply increased in FY 2014. For a further discussion, see the LFD Issue in new proposal DP 603.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	General Fund				Total Funds			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	2,943	2,943	5,886	100.00%	3,253,883	3,253,883	6,507,766	111.19%
Statewide PL Adjustments	0	0	0	0.00%	(40,074)	(33,476)	(73,550)	(1.26%)
Other PL Adjustments	0	0	0	0.00%	61,133	65,658	126,791	2.17%
New Proposals	0	0	0	0.00%	(354,395)	(353,938)	(708,333)	(12.10%)
Total Budget	\$2,943	\$2,943	\$5,886		\$2,920,547	\$2,932,127	\$5,852,674	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

	Fiscal 2014					Fiscal 2015				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					96,200					97,867
Vacancy Savings					(113,339)					(113,406)
Inflation/Deflation					(10,113)					(5,525)
Fixed Costs					(12,822)					(12,412)
Total Statewide Present Law Adjustments		\$0	(\$40,074)	\$0	(\$40,074)		\$0	(\$33,476)	\$0	(\$33,476)
DP 601 - Brands Division Vehicle Lease	0.00	0	5,154	0	5,154	0.00	0	9,679	0	9,679
DP 602 - Brand Overtime	0.00	0	55,979	0	55,979	0.00	0	55,979	0	55,979
Total Other Present Law Adjustments	0.00	\$0	\$61,133	\$0	\$61,133	0.00	\$0	\$65,658	\$0	\$65,658
Grand Total All Present Law Adjustments	0.00	\$0	\$21,059	\$0	\$21,059	0.00	\$0	\$32,182	\$0	\$32,182

DP 601 - Brands Division Lease Vehicle Lease - The executive is requesting to replace five vehicles each year with leased vehicles from the DOT Motor Pool in a fleet of 30 brand enforcement vehicles.

DP 602 - Brand Overtime - The executive is requesting restoration of overtime authority at the FY 2012 level. The program works extensive overtime during the fall market and at other peak times of the year. Overtime funding is required to be approved every biennium.

LFD COMMENT

The division is requesting a continuation of FY 2012 level overtime while proposing a reduction in staff. For a further discussion see the LFD Issue for DP 603 in the new proposals section.

New Proposals

Program	Fiscal 2014					Fiscal 2015				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 603 - Brand FTE Reductions and Fund Switch										
06	(8.71)	0	(354,395)	0	(354,395)	(8.71)	0	(353,938)	0	(353,938)
Total	(8.71)	\$0	(\$354,395)	\$0	(\$354,395)	(8.71)	\$0	(\$353,938)	\$0	(\$353,938)

DP 603 - Brand FTE Reductions and Fund Switch – The executive proposes to permanently remove 8.71 FTE and \$354,395 of state special revenue per capita fee in FY 2014 and \$353,938 in FY 2015. In addition, \$921,736 of inspection and control state special revenue funding is replaced with per capita fee state special revenue in FY 2014 in order to balance the department’s expenditures with available funding.

LFD ISSUE

The major funding source for this division is the inspection and control fund. Livestock owners pay a fee every ten years for brand re-record, which populates the fund. However, because of the timing of the revenues to the fund, the agency can only spend 10% of the total revenues that are received from brand re-record in any year. The following figure shows the actual expenditures in FY 2012, and appropriated FY 2013 and proposed 2015 biennium expenditures for the fund.

	Actual FY 2012	Appropriated FY 2013	Executive Request FY 2014	Executive Request FY 2015
Beginning Balance	\$256,353	\$81,645	(\$207,666)	\$753,120
Revenues	1,926,537	1,831,819	1,706,319	1,721,319
<u>Expenditures</u>				
Brands Enforcement	(2,101,245)	(2,121,130)	(745,533)	(1,718,899)
Ending Fund Balance	<u>\$81,645</u>	<u>(\$207,666)</u>	<u>\$753,120</u>	<u>\$755,540</u>
FTE	57.71	57.71	49.00	49.00

	FY 2014	FY 2015	Biennial Total
Vehicle Lease Brands Div	\$5,154	\$9,679	\$14,833
Brand Overtime	55,979	55,979	\$111,958
Brand FTE Reduction	<u>(354,395)</u>	<u>(353,938)</u>	<u>(708,333)</u>
Total	(\$293,262)	(\$288,280)	(\$581,542)

Funding Source	Division							Total
	Central Services	Laboratory	Animal Health	Milk & Egg	Brands	Meat & Poultry		
General Fund	\$165,431	\$579,108	\$1,013,028	\$0	\$5,886	\$1,278,376	\$3,041,829	
Per Capita Fee	2,734,121	1,278,613	1,299,735	0	3,382,356	0	8,694,825	
Animal Health	0	2,051,319	77,888	686,418	0	11,435	2,827,060	
Inspection & Control	0	0	0	0	2,464,432	0	2,464,432	
Other State Special	710,542	0	0	120,098	0	0	830,640	
Federal	0	0	1,485,340	56,980	0	1,278,376	2,820,696	
Total	\$3,610,094	\$3,909,040	\$3,875,991	\$863,496	\$5,852,674	\$2,568,187	\$20,679,482	

**LFD
ISSUE CONT.**

As shown, although revenues are expected to decrease slightly, expenditures from the fund would be sharply reduced. The Board of Livestock is the entity responsible for setting fees, which have not been raised since 2006. The agency has been overspending from the fund since FY 2009. The executive states that they are recommending a reduction in operations and further supplementary funding from the per capita fund rather than an increase in fees because the a fee increase was not desirable.

The department also states that they estimate the potential impact of a reduction in staffing levels to be 4.96 currently filled FTE, which would be expected to result in layoffs, mostly part-time employees. The remaining FTE reductions would be achieved through currently vacant positions. The department expects to see a reduction in market inspections and an impact of operation on sale days with this level of reduction in staff. If the legislature does not wish to have all or a portion of the reduction in staffing included in the executive budget, it has three primary options to increase revenue:

- Increase fees to the inspection and control fund
- Increase the percentage of the re-record fees that are able to be spent annually temporarily until additional revenue can be raised
- Provide additional supplement funding. If additional funding were to be provided by the per capita fund, it could jeopardize that fund's structural balance

Program Budget Comparison

The following table summarizes the total executive budget for the program by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	20.50	20.50	21.50	21.50	20.50	21.50	1.00	4.88%
Personal Services	914,398	926,725	960,028	961,384	1,841,123	1,921,412	80,289	4.36%
Operating Expenses	311,881	308,668	328,998	317,777	620,549	646,775	26,226	4.23%
Total Costs	\$1,226,279	\$1,235,393	\$1,289,026	\$1,279,161	\$2,461,672	\$2,568,187	\$106,515	4.33%
General Fund	613,109	614,184	641,654	636,722	1,227,293	1,278,376	51,083	4.16%
State Special	5,717	5,717	5,718	5,717	11,434	11,435	1	0.01%
Federal Special	607,453	615,492	641,654	636,722	1,222,945	1,278,376	55,431	4.53%
Total Funds	\$1,226,279	\$1,235,393	\$1,289,026	\$1,279,161	\$2,461,672	\$2,568,187	\$106,515	4.33%

Program Description

The Meat and Poultry Inspection Program was established in 1987 by the Montana Meat and Poultry Inspection Act. It implements and enforces a meat and poultry inspection system equal to that maintained by the U.S. Department of Agriculture and the Food Safety Inspection Service to assure clean, wholesome, and properly-labeled meat and poultry products for consumers.

Program Highlights

Meat and Poultry Inspection Major Budget Highlights	
o	The Governor's proposed budget increases by 4.3% from the previous biennium due to statewide present law adjustments and a proposal to add an inspector position.

Funding

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Department Of Livestock Funding by Source of Authority 2015 Biennium Budget - Meat/Poultry Inspection							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$1,278,376	\$0	\$0	\$1,278,376	49.8%		
State Special Total	\$11,435	\$0	\$0	\$11,435	0.4%		
02427 Animal Health	\$11,435	\$0	\$0	\$11,435	0.4%		
Federal Special Total	\$1,278,376	\$0	\$0	\$1,278,376	49.8%		
03209 Meat/poultry Inspection Sp Rev	\$1,278,376	\$0	\$0	\$1,278,376	49.8%		
Total All Funds	\$2,568,187	\$0	\$0	\$2,568,187	100.0%		
Percent - Total All Sources	100.0%	0.0%	0.0%				

The majority of meat and poultry inspection program funding is split evenly between federal funds and the general fund. Per cooperative agreement with the US Department of Agriculture, state special revenue funds cannot be used as match when they are derived through a fee on producers being inspected by the program. Since the majority of state special revenue funds are generated from fees on producers being inspected, general fund is used as match. A small portion of state special revenue derived from inspection fees on facilities are used in this division.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	613,109	613,109	1,226,218	95.92%	1,226,279	1,226,279	2,452,558	95.50%
Statewide PL Adjustments	(1,977)	(184)	(2,161)	(0.17%)	1,703	5,288	6,991	0.27%
Other PL Adjustments	10,886	4,161	15,047	1.18%	21,772	8,322	30,094	1.17%
New Proposals	19,636	19,636	39,272	3.07%	39,272	39,272	78,544	3.06%
Total Budget	\$641,654	\$636,722	\$1,278,376		\$1,289,026	\$1,279,161	\$2,568,187	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					45,867					47,329
Vacancy Savings					(38,411)					(38,468)
Inflation/Deflation					(5,631)					(3,696)
Fixed Costs					(122)					123
Total Statewide Present Law Adjustments		(\$1,977)	\$1	\$3,679	\$1,703		(\$184)	\$0	\$5,472	\$5,288
DP 1001 - Meat Inspector Training (OTO/BIEN)	0.00	4,161	0	4,161	8,322	0.00	4,161	0	4,161	8,322
DP 1002 - Meat Inspection Field Supplies (OTO/BIEN)	0.00	6,725	0	6,725	13,450	0.00	0	0	0	0
Total Other Present Law Adjustments	0.00	\$10,886	\$0	\$10,886	\$21,772	0.00	\$4,161	\$0	\$4,161	\$8,322
Grand Total All Present Law Adjustments	0.00	\$8,909	\$1	\$14,565	\$23,475	0.00	\$3,977	\$0	\$9,633	\$13,610

DP 1001 - Meat Inspector Training (OTO/BIEN) – The executive requests funding for training for the Food Safety Inspection Service (FSIS) meat inspection program to maintain equal status in the federal state cooperative agreement.

DP 1002 - Meat Inspection Field Supplies (OTO/BIEN) - The executive requests funding for meat inspection equipment for field and office work used for the FSIS cooperative agreement. Funding is for items such as antibiotic test kits incubators, data loggers, and thermal couplers. This request is funded with 50% general fund and 50% federal funds.

New Proposals

Program	FTE	Fiscal 2014				Fiscal 2015					
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 1003 - Meat Inspection - New Plants (OTO)	10	1.00	19,636	0	19,636	39,272	1.00	19,636	0	19,636	39,272
Total	1.00	\$19,636	\$0	\$19,636	\$39,272	1.00	\$19,636	\$0	\$19,636	\$39,272	

DP 1003 - Meat Inspection - New Plants - The executive requests funding for a meat inspector for new plants. Currently, there are six new plants that are requesting to begin operations. This proposal would add 1.00 FTE meat inspector in the 2015 biennium funded with 50% general fund and 50% federal funds.

LFD COMMENT	There are currently 14 inspectors for the current plants in various locations across the state. If inspectors work overtime they would be allotted time and a half overtime rate due to the co-operative matching agreement with the federal government.
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