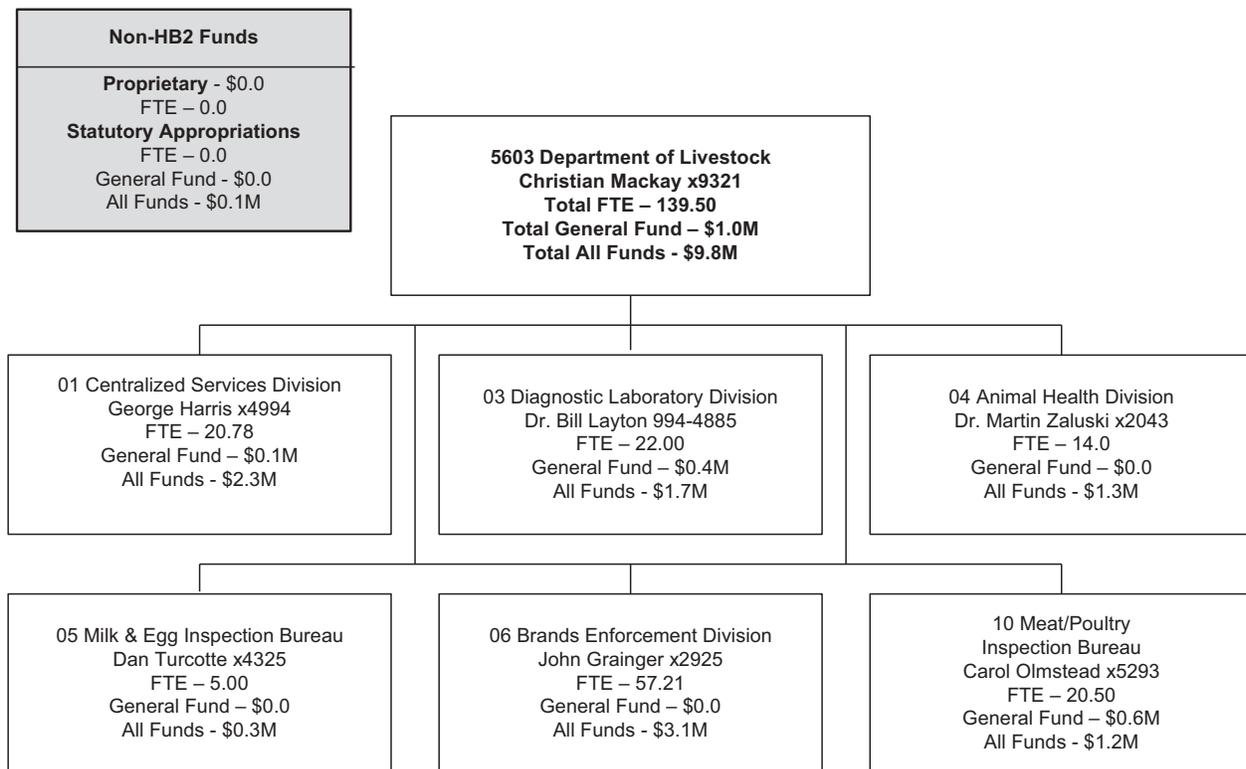


Agency Budget Comparison

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

Agency Budget Comparison								
Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	139.50	139.50	144.50	142.76	139.50	142.76	3.26	2.34%
Personal Services	6,751,716	6,940,998	7,525,754	7,466,131	13,692,714	14,991,885	1,299,171	9.49%
Operating Expenses	2,896,569	3,033,416	3,894,041	3,876,469	5,929,985	7,770,510	1,840,525	31.04%
Equipment & Intangible Assets	47,689	70,052	273,191	235,441	117,741	508,632	390,891	331.99%
Benefits & Claims	140,000	450,000	290,000	140,000	590,000	430,000	(160,000)	(27.12%)
Total Costs	\$9,835,974	\$10,494,466	\$11,982,986	\$11,718,041	\$20,330,440	\$23,701,027	\$3,370,587	16.58%
General Fund	1,046,160	1,111,118	1,576,480	1,426,602	2,157,278	3,003,082	845,804	39.21%
State Special	7,325,213	7,574,506	8,750,930	8,662,951	14,899,719	17,413,881	2,514,162	16.87%
Federal Special	1,464,601	1,808,842	1,655,576	1,628,488	3,273,443	3,284,064	10,621	0.32%
Total Funds	\$9,835,974	\$10,494,466	\$11,982,986	\$11,718,041	\$20,330,440	\$23,701,027	\$3,370,587	16.58%

The following is the agency organizational chart, with contact information. The chart has been modified by the LFD to include the FY 2010 base budget FTE, general fund, and total funds for each program. As applicable, total agency proprietary funds and statutory appropriations, along with associated FTE, are also shown.



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.

The Department of Livestock is responsible for controlling and eradicating animal diseases; preventing the transmission of animal diseases to humans; protecting the livestock industry from theft and predatory animals; meat, milk, and egg inspection; and regulating the milk industry relative to producer pricing. The department, which is provided for in 2-15-3101, MCA, consists of the Board of Livestock and its appointed executive officer, the Livestock Crimestoppers' Commission, the Milk Control Board, the Livestock Loss Reduction and Mitigation Board, and the Board of Horse Racing. The department is organized into four divisions: Animal Health; Centralized Services; Brand-Enforcement; Diagnostic Laboratory; and two bureaus: Milk and Egg Inspection and Meat and Poultry Inspection. The Board of Livestock, which is the statutory head of the Department of Livestock, consists of seven members appointed by the Governor and confirmed by the Senate to serve six-year terms.

Agency Highlights

Department of Livestock Major Budget Highlights
<ul style="list-style-type: none"> ◆ The Governor proposes to increase this agency’s budget by 16.58% from the previous biennium ◆ Major initiatives in the executive budget are: <ul style="list-style-type: none"> ● Funding brucellosis surveillance ● Creating a new egg and milk screening program ◆ General fund increases by 39.2% primarily due to the brucellosis surveillance program offset by a personal services reduction ◆ State special revenue funds increase by 17% due to requests to increase expenditures from the per capita and animal health fund for various purposes ◆ Total increases include an additional 3.26 FTE, of which 1.50 are egg graders and the remainder are related to brucellosis surveillance activities
Legislative Action Issues
<ul style="list-style-type: none"> ◆ Major/Agency Wide Issues <ul style="list-style-type: none"> ● The Governor proposes to spend down the fund balance in the per capita fund and over spend the animal health fund. ● The budget has one-time-only requests for vehicles that would be appropriate in the base budget ◆ Potential Bills to Implement HB 2 <ul style="list-style-type: none"> ● Establish per capita fees in statute ● Separate the lab revenues and milk and egg revenues into two separate funds ● Define the use of state special revenue funds ◆ Other Decision Factors <ul style="list-style-type: none"> ● The Board of Livestock has set policy for the department to follow regarding fee increases and expenditures related to out of state travel; the legislature is not bound by these decisions ◆ Interim Committee Recommendations <ul style="list-style-type: none"> ● The Legislative Finance Committee recommends that the budget starting point be the adjusted base minus 5% ● State special revenue funds in this department are statutorily exempt from the requirement

Agency Discussion

Goals and Objectives:

State law requires agency and program goals and objectives to be specific and quantifiable to enable the legislature to establish appropriations policy. As part of its appropriations deliberations the legislature may wish to review the following:

- o Goals, objectives and year-to-date outcomes from the 2011 biennium.
- o Critical agency goals, objectives, and anticipated outcomes and their correlation to the executive's budget request for the 2013 biennium.

2011 Biennium Goals

The following provides an update of the goals monitored by the LFC during the 2011 biennium.

- o Safeguard the health and food production capacity of the state's animals and poultry by providing for the diagnosis, prevention, control, and eradication of animal diseases; preserve the economic viability of the livestock industry; protect public health by limiting the transmission of animal diseases to man; and address other health risks.
 - o The agency demonstrated the ability to track and review import permits and disease reports with adequately trained staff. The LFC released this goal from monitoring in early FY 2010.

2013 Biennium Goals

- o During the interim the LFC met with the agency to select critical goals and performance measurements for the legislature to consider during the appropriation process. The LFC did not specifically identify any critical goal or performance measure.

Agency Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited by LFD staff as necessary for brevity and/or clarity.

- o **Labor Market Experience** - The Department of Livestock (DOL) typically hires new employees based upon the applicant's qualifications and the department's ability to pay. In most cases the department is able to compete in the labor market. The more highly technical positions at the diagnostic laboratory are more difficult to recruit for. During the recent economic downturn, the department has found a larger number of applicants in the application pool. Occasionally employment offers have been rejected because other agencies have been able to pay more.
- o **Pay Philosophy** - In the statewide market survey the DOL is 80% of market in its compensation. This is the 2nd lowest in state government. The agency must compete not only in the surveyed market but also with other state agencies and the private sector. The Department of Livestock's pay philosophy is to recruit and retain the most qualified applicants as economically as possible. The department does not utilize automatic career ladders in any of its classifications. It also does not utilize pay in succession planning.
- o **Obstacles** - Besides funding, the main obstacles DOL encounters or anticipates in hiring a quality workforce is the ability to pay in order to compete with other state agencies and the private sector. Highly technical positions at the lab, animal health, and centralized services have required pay adjustments to remain competitive. High turnover in remote areas in the Brands Enforcement and Meat Inspection programs required pay adjustments.

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The following summarizes the plan submitted for this program.

The agency's plan includes general fund only. The biennial general fund target for this agency is \$104,616. Of the agency's plan, the executive included a biennial amount of \$66,691 in the 4% general fund personal services reductions and an adjustment for 2011 budget reductions. According to the agency's plan, the remaining \$37,925 in reductions

would decrease testing services at the diagnostic lab and daily inspections of meat and poultry plants, The department’s state special revenue is exempt per statue.

Total 5% Reduction Plan Identified by Agencies, By Division Included and Not Included in Executive Budget 2013 Biennium			
Program/DP Number/Description	FTE	General Fund	% Of Total
<u>Diagnostic Laboratory Program</u>			
<i>Included in Executive Budget</i>			
321 Continuation of 2% Reduction		\$44,480	42.5%
55410 4% General Fund Reduction	0.24	<u>22,211</u>	21.2%
Subtotal Included in Executive Budget		\$66,691	63.7%
<i>Not Included in Executive Budget</i>			
Reduced Lab Testing		\$35,309	33.8%
Subtotal Not Included in Executive Budget		<u>\$35,309</u>	33.8%
Total Diagnostic Laboratory Program		\$102,000	97.5%
<u>Meat and Poultry Inspection</u>			
<i>Included in Executive Budget</i>			
Subtotal Included in Executive Budget		\$0	0.0%
<i>Not Included in Executive Budget</i>			
Meat inspection reductions*		\$2,616	2.5%
Subtotal Not Included in Executive Budget		<u>\$2,616</u>	2.5%
Total Meat and Poultry Inspection		\$2,616	2.5%
<u>Total Reduction Plan</u>			
Included in Executive Budget		\$66,691	63.7%
Not Included in Executive Budget		<u>37,925</u>	36.3%
Total Agency Reduction Plan		<u>\$104,616</u>	

*Federal funds would also be impacted.

If the total 5% plan was adopted by the legislature, the biennial general fund impact would be a change from a 39.21% increase to a 34.4 % increase. The executive budget would be reduced a further 4.81%.

Funding

The following table summarizes funding for the agency, by program and source, as recommended by the Governor. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2013 Biennium Budget					
Agency Program	General Fund	State Spec.	Fed Spec.	Grand Total	Total %
01 Centralized Services Program	\$ 290,315	\$ 4,326,410	\$ 280,000	\$ 4,896,725	20.66%
03 Diagnostic Laboratory Program	773,295	3,149,015	29,000	3,951,310	16.67%
04 Animal Health Division	702,753	2,211,750	1,687,255	4,601,758	19.42%
05 Milk & Egg Program	-	953,814	56,976	1,010,790	4.26%
06 Brands Enforcement Division	5,886	6,761,458	-	6,767,344	28.55%
10 Meat/Poultry Inspection	<u>1,230,833</u>	<u>11,434</u>	<u>1,230,833</u>	<u>2,473,100</u>	<u>10.43%</u>
Grand Total	<u>\$3,003,082.00</u>	<u>\$ 17,413,881.00</u>	<u>\$ 3,284,064.00</u>	<u>\$ 23,701,027.00</u>	<u>100.00%</u>

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 16 % increase in general fund from the 2009 biennium. The increase for ongoing costs is 7%, as the executive budget contains approximately \$300,000 in one-time-only requests. The one-time-only requests are

predominantly related to system enhancements for the animal health system (\$98,100) and brand enforcement system (\$183,450), and computers for the meat inspection program (\$8,750).

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 and accounts for 70 % of the total budget. The executive budget increases the state special revenue by 9 percent. The three state special revenue funds that comprised over 90 % of state special revenues in the department are discussed below.

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.

Livestock per Capita Fee

The livestock per capita fund is the largest state special revenue fund and supports animal health functions, 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. 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. In FY 2008, department expenditures from this fund totaled \$3.1 million. The 2013 biennium executive budget includes approximately \$3.6 million annually, which is higher than ongoing revenues.

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 and had to transfer funds from the livestock per capita fund to this fund at the end of FY 2007 and again in FY 2008 to cover expenses. The department anticipates an increase of approximately 10 % to this fund over the 2011 biennium.

LFD COMMENT

Issues regarding the use of the animal health fund are discussed in the Diagnostic Laboratory.

LFD ISSUE

The Budget Contains Multiple Funding Issues

One half of the department's budget is funded with per capita fees and the animal health fund. Both funds are structurally imbalanced and have issues of ongoing revenue. The two funds are intertwined within the department, as the funds can be used for like purposes and the executive has in the past requested that the per capita fee offset short falls in the animal health fund, which further depletes the per capita fund. The legislature may wish to determine how each of these funds should be utilized and establish legislative control over the funds.

**LFD
ISSUE CONT.**

Per Capita

The per capita fee was intended by the legislature to provide financial support for the activities of the Department of Livestock. The fund does not contain any restrictions on how it can be utilized, and the fees are set by the Board of Livestock on an annual basis. At the board's November 2010 meeting, the decision was made to retain the fees at the current level. Due to this decision, the legislature may wish to determine allowable expenditures from the fund and prioritize appropriations from this account, or seek to find alternatives to increase revenues to the fund.

Department of Livestock Per Capita Fund				
	Actual FY 2010	Appropriated FY 2011	Executive Request	
			FY 2012	FY 2013
Beginning Balance	\$2,458,171	\$2,391,761	\$1,656,009	\$911,872
Expenditures	(3,866,404)	(4,555,752)	(4,564,137)	(4,553,468)
Revenues*	<u>3,799,994</u>	<u>3,820,000</u>	<u>3,820,000</u>	<u>3,820,000</u>
Ending Fund Balance	<u>\$2,391,761</u>	<u>\$1,656,009</u>	<u>\$911,872</u>	<u>\$178,404</u>

* average revenues from FY08, FY 09 and FY10

The figure shows the status of the fund based on FY 2010 actual expenditures, appropriations for FY 2011, and the executive request for the 2013 biennium. The revenues to the fund were estimated by LFD staff based on historical revenues to the account over the past two biennia. The LFD opted to utilize this level of revenue as statute limits growth to the fund at 10% of the average of the last three years and the estimates provided by the department indicated a 33% growth in revenues. For this reason and since rates were not raised and the

department did not indicate any change in collection practices or diligence, the revenues included in the executive budget did not appear to be reasonable.

As shown, the fund is not structurally balanced, as the executive proposes to expend \$900,000 more per year than revenues will support. At the end of the biennium, the fund will have a balance of \$178,000, which is less than 4% of ongoing expenditures. This ongoing imbalance and loss of the fund balance could result in a fee increase. Reducing expenditures to equal ongoing revenues would equal the FY 2010 base plus about \$200,000 of additional expenditures, and would require the legislature to eliminate \$1.0 million in executive requests for the biennium funded from the per capita account. The table below illustrates the requests made by the executive. Requests for the biennium total \$1.1 million.

If expenditures are not decreased, revenues would need to be increased. As stated, the Board of Livestock chose not to increase fees at this time. However, the legislature could take action if it feels a revenue increase is necessary. There is a potential option for increasing revenue 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 this to the department and then later 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.

Department Of Livestock 2013 Budget Requests for Per Capita Fees			
	FY 2012	FY 2013	Biennial Total
Board Per Diem	\$500	\$500	\$1,000
Computer Hardware	15,600	15,600	\$31,200
Predator Control	4,668	4,668	\$9,336
Lab Maintenance Contracts	5,219	5,219	\$10,438
Lab Recharges	35,152	35,152	\$70,304
Lab Operating Adjustment	169,630	169,630	\$339,260
Lab Equipment - OTO	4,250	0	\$4,250
Animal Health Vehicle	0	26,000	\$26,000
Brucellosis Testing -OTO	285,514	285,514	\$571,028
Brucellosis Vet	<u>65,946</u>	<u>65,783</u>	<u>\$131,729</u>
	<u>\$586,479</u>	<u>\$608,066</u>	<u>\$1,194,545</u>

LFD ISSUE CONT. 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, If the legislature determines the issue could be delayed until the 2013 session, the legislature could: 1) direct the department to analyze the current system and provide alternatives to the 63rd legislature; 2) request a legislative audit; or 3) request that one of the interim committees study the issue and suggest changes.

In summary, the issues with the fund are:

- o Statute does not clearly define appropriate uses of the fund;
- o The budget request exceeds revenue estimates;
- o Per capita fees are not providing adequate revenues;
- o The fee collection process is cumbersome.

Options

To address these issues the legislature could consider the following:

1. Request a committee bill to address one or more of the following:
 - a. Establish statutory guidelines for fund use;
 - b. The Board could increase per capita fees;
 - c. Establish fee collection via tax returns;
 - d. Direct the department to determine an efficient alternative collection method.
2. Adjust the executive request to:
 - a. Eliminate one-time-only appropriations;
 - b. Fund only the base budget, reducing the executive requests to zero.

Animal Health

The animal health fund is utilized to support activities of the diagnostic lab, milk and egg bureau, animal health, and the inspection program. Overall, the executive seeks to increase expenditures from this fund by \$600,000 per year, which creates two issues: 1) the fund is over appropriated; and 2) the lab will require subsidies to operate. This write up addresses the over appropriation, while the issues with the lab funding are addressed in the Diagnostic Lab Program.

The fund collects revenues from lab fees and from inspection fees from the milk and egg program. Inspection fees totaled \$400,000 for FY 2010.. These fees have averaged approximately \$416,000 since FY 2008. Lab revenues have averaged \$962,000 for the same time period. 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 estimated by LFD staff at \$1.48 million per year based on historical data. The figure summarizes the status of the fund.

Department of Livestock Animal Health Fund				
	Actual FY 2010	Appropriated FY 2011	Executive Request	
			FY 2012	FY 2013
Beginning Balance	\$93,094	\$79,084	\$90,783	(\$81,977)
Expenditures	(1,405,182)	(1,468,301)	(1,652,760)	(1,628,871)
Revenues*	<u>1,391,172</u>	<u>1,480,000</u>	<u>1,480,000</u>	<u>1,480,000</u>
Ending Fund Balance	<u>\$79,084</u>	<u>\$90,783</u>	<u>(\$81,977)</u>	<u>(\$230,848)</u>

* average revenues from FY08, FY 09 and FY10

**LFD
ISSUE CONT.**

Based upon the 2013 biennium request the fund is not structurally balanced, as the executive proposes to expend \$344,000 over the biennium more than revenues to the fund.

The table illustrates the request made by the executive from the animal health fund.

The revenues to this fund create another issue. The fund receives fees from the lab and from the milk and egg program. The revenue streams have not been separated to determine how much is available to each program. If the legislature wishes to fund the lab and the milk and egg program on related revenues, the fees should be separated out into two funds.

In summary, the over appropriation of this fund is a result of the executive requesting appropriation authority 10% greater than historical revenues. Revenues are derived from two difference programs. Lab revenues are dependent upon lab activities because fees are stagnant. Milk and egg fees are driven by industry inspection requirements.

Department Of Livestock 2013 Budget Requests for Animal Health funds			
	FY 2012	FY 2013	Biennial Total
Restore Milk Lab OTO	\$2,720	\$2,720	\$5,440
Lab Overtime	1,330	1,330	2,660
Lab Equipment Replacement	17,000	0	17,000
Referral Testing	5,947	6,641	12,588
Leased Equipment	2,400	2,400	4,800
Lab Equipment Replacement	13,500	0	13,500
Milk/Egg Travel	2,866	4,378	7,244
Milk/Egg Vehicle - OTO	26,000	26,000	52,000
New Egg Grader	<u>129,844</u>	<u>129,533</u>	<u>259,377</u>
	<u>\$201,607</u>	<u>\$173,002</u>	<u>\$374,609</u>

Options

1. Request a committee bill to address one or more of the following:
 - a. Segregate lab and milk/egg revenues into two separate state special revenue funds;
 - b. Temporarily increase lab fees.
2. Adjust the executive request to:
 - a. Reduce expenditures from this fund by 10%;
 - b. Fund only the base budget, reducing the executive requests to zero.

Integration of two sources

Both funds are over appropriated based on current revenues. The executive has utilized the two funds to balance requests across the agency. The legislature may wish to develop a strategy to address the interrelation of these funds.

One such strategy could be dealing with the per capita fee, which is the prominent funding source, prior to addressing the issues in the animal health fund. If the legislature chooses to define appropriate use of the fund, this will become the policy decision to fund the department. Once established the legislature could then address the animal health fund, examining the impacts based on selected policy.

Statutory Appropriations

The following table shows the total statutory appropriations associated with this agency. Because statutory appropriations do not require reauthorization each biennium, they do not appear in HB 2 and are not routinely examined by the legislature. The table is provided so that the legislature can get a more complete picture of agency operations and associated policy.

Statutory Appropriations Department of Livestock					
Purpose	MCA #	Fund Source	Fiscal 2010	Fiscal 2012	Fiscal 2013
<i>No Direct Bearing on Agency Operations</i>					
For the good of the horseracing industry	23-4-105	SSR	\$133,080	\$108,000	\$108,000

As appropriate, LFD staff has segregated the statutory appropriations into two general categories: 1) those where the agency primarily acts in an administrative capacity and the appropriations consequently do not relate directly to agency operations; and 2) those that have a more direct bearing on the mission and operations of the agency.

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 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	1,046,160	1,046,160	2,092,320	69.67%	9,835,974	9,835,974	19,671,948	83.00%
Statewide PL Adjustments	23,925	24,199	48,124	1.60%	354,570	337,398	691,968	2.92%
Other PL Adjustments	38,288	38,288	76,576	2.55%	560,108	576,254	1,136,362	4.79%
New Proposals	468,107	317,955	786,062	26.18%	1,232,334	968,415	2,200,749	9.29%
Total Budget	\$1,576,480	\$1,426,602	\$3,003,082		\$11,982,986	\$11,718,041	\$23,701,027	

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 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	20.78	20.78	20.78	20.78	20.78	20.78	0.00	0.00%
Personal Services	1,095,555	1,108,006	1,188,926	1,190,550	2,203,561	2,379,476	175,915	7.98%
Operating Expenses	1,013,358	726,393	1,049,181	1,019,364	1,739,751	2,068,545	328,794	18.90%
Equipment & Intangible Assets	9,352	0	9,352	9,352	9,352	18,704	9,352	100.00%
Benefits & Claims	140,000	450,000	290,000	140,000	590,000	430,000	(160,000)	(27.12%)
Total Costs	\$2,258,265	\$2,284,399	\$2,537,459	\$2,359,266	\$4,542,664	\$4,896,725	\$354,061	7.79%
General Fund	65,628	72,603	220,215	70,100	138,231	290,315	152,084	110.02%
State Special	2,052,637	1,911,796	2,177,244	2,149,166	3,964,433	4,326,410	361,977	9.13%
Federal Special	140,000	300,000	140,000	140,000	440,000	280,000	(160,000)	(36.36%)
Total Funds	\$2,258,265	\$2,284,399	\$2,537,459	\$2,359,266	\$4,542,664	\$4,896,725	\$354,061	7.79%

Program Description

The Centralized Services Division is responsible for budgeting, accounting, payroll, personnel, legal services, purchasing, administrative, information technology, public information, and general services functions for the department. The Predator Control Program is administered by the Board of Livestock and the Executive Officer. The Milk Control Bureau staff and the Livestock Loss Reduction Mitigation Board (LLRMB) staff are supervised in the Central Services Division. The Board of Milk Control, the Livestock Loss Reimbursement Mitigation Board, and the Board of Horse Racing are attached to the Department of Livestock for administrative purposes.

Program Highlights

Centralized Services Division Major Budget Highlights
<ul style="list-style-type: none"> ◆ The Governor proposes to increase this program's budget by 7.8% from the previous biennia ◆ General fund increases by 110% primarily due to additional funds for wolf depredation payments ◆ Major initiatives in the executive budget include: <ul style="list-style-type: none"> ● Per diem and travel expenses for the Board of Livestock and the Livestock Loss Reduction Mitigation Board ● Funds to meet computer replacement requirements
Major LFD Issues
<ul style="list-style-type: none"> ◆ The requests for computers can be funded differently ◆ It may not be necessary for the Livestock Loss Reduction Mitigation Board to meet in person

Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Program Funding	Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
01000 Total General Fund	\$ 65,628	2.9%	\$ 220,215	8.7%	\$ 70,100	3.0%
01100 General Fund	65,628	2.9%	220,215	8.7%	70,100	3.0%
02000 Total State Special Funds	2,052,637	90.9%	2,177,244	85.8%	2,149,166	91.1%
02029 Board Of Horse Racing	154,430	6.8%	175,157	6.9%	174,913	7.4%
02426 Lvstk Per Capita	1,691,149	74.9%	1,788,875	70.5%	1,760,753	74.6%
02817 Milk Control Bureau	207,058	9.2%	213,212	8.4%	213,500	9.0%
03000 Total Federal Special Funds	140,000	6.2%	140,000	5.5%	140,000	5.9%
03345 Lrmb Rederal Special	140,000	6.2%	140,000	5.5%	140,000	5.9%
Grand Total	<u>\$ 2,258,265</u>	<u>100.0%</u>	<u>\$ 2,537,459</u>	<u>100.0%</u>	<u>\$ 2,359,266</u>	<u>100.0%</u>

General fund supports general operations and payments for wolf losses. General fund would increase to make additional payments. State special revenues are from the livestock per capita fund, the Milk Control Bureau fund, and the Board of Horse Racing fund. The livestock per capita fund, an annual tax on livestock headcount, is used to support all activities of the division except for the administratively attached boards. The division collects indirect cost reimbursements on federal and state special revenues expended in other divisions, which are deposited to the livestock per capita fund. The Milk Control Bureau and the Board of Horse Racing are funded from fees assessed to the respective industries.

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 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	65,628	65,628	131,256	45.21%	2,258,265	2,258,265	4,516,530	92.24%
Statewide PL Adjustments	(623)	(738)	(1,361)	(0.47%)	103,216	75,023	178,239	3.64%
Other PL Adjustments	5,210	5,210	10,420	3.59%	25,978	25,978	51,956	1.06%
New Proposals	150,000	0	150,000	51.67%	150,000	0	150,000	3.06%
Total Budget	\$220,215	\$70,100	\$290,315		\$2,537,459	\$2,359,266	\$4,896,725	

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 2012-----					-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					140,657					142,348
Vacancy Savings					(49,186)					(49,253)
Inflation/Deflation					427					527
Fixed Costs					11,318					(18,599)
Total Statewide Present Law Adjustments		(\$623)	\$103,839	\$0	\$103,216		(\$738)	\$75,761	\$0	\$75,023
DP 101 - Board Per Diem	0.00	0	500	0	500	0.00	0	500	0	500
DP 102 - PC Replacements	0.00	0	15,600	0	15,600	0.00	0	15,600	0	15,600
DP 104 - Predator Control - Base Adjustment	0.00	0	4,668	0	4,668	0.00	0	4,668	0	4,668
DP 125 - LLRMB Board Meetings	0.00	5,210	0	0	5,210	0.00	5,210	0	0	5,210
Total Other Present Law Adjustments	0.00	\$5,210	\$20,768	\$0	\$25,978	0.00	\$5,210	\$20,768	\$0	\$25,978
Grand Total All Present Law Adjustments	0.00	\$4,587	\$124,607	\$0	\$129,194	0.00	\$4,472	\$96,529	\$0	\$101,001

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited by LFD staff as necessary for brevity and/or clarity.

- o **Pay Plan Exceptions** - This division is not the subject of an exception from the agency pay plan rules.
- o **Program Specific Obstacles** - The division has had particular challenges in recruiting for accounting positions. The flexibility of pay plan 20 has helped to alleviate this problem. Pay adjustments within the pay plan rules were made to address recruitment and retention of fiscal staff.
- o **Vacancy** - Vacancies in the accounting staff causes delays in providing financial information and processing daily transactions. The department did make pay adjustments in accordance with pay plan 20 rules to recruit and retain accounting staff. The Centralized Services Division does utilize flexible work schedules to assist in retaining staff.
- o **Legislatively Applied Vacancy Savings** - The 7% vacancy savings was difficult to achieve. Positions were held open as much as possible. A contingency request was granted from the Governor's budget office in this program.
- o **Pay/Position Changes** - The program granted one strategic pay adjustment of \$3.74/hour or 23%.
- o **Retirements** - The program has one potential retirement in the upcoming biennium with an estimated liability of \$16,983.

DP 101 - Board Per Diem - The executive requests a base adjustment for per diem to fund the Board of Livestock for six meetings in each year of the biennium.

DP 102 - PC Replacements - The executive requests a base adjustment to increase the number of personal computers on the five year replacement cycle. The base funding currently covers 11 computers, and this adjustment adds funding for an additional 12 computers.

LFD ISSUE Alternative Funding May be Available
 The executive is requesting that this decision package be funded with per capita funds. Depending upon where the computers will be located within the department, other funding sources could cover this cost. According to the department the greatest upcoming need is in the Diagnostic Lab, the Milk and Egg program, Meat Inspection central office and then Centralized Services. The Milk and Egg program and the Meat Inspection program do not receive per capita funds, and therefore should be paid for with program funds. In order to do this, the legislature would need to examine the actual replacement schedule and establish an appropriation that mirrors where the computers will be going.

DP 104 - Predator Control - Base Adjustment - The executive recommends a base adjustment for predator control activities. This additional funding would bring the total up to \$319,500 per year, which is the amount authorized by the Board of Livestock.

LFD ISSUE Adjustment Increases the Base
 The executive is requesting an adjustment for predator control to the level authorized by the Board of Livestock. The amount authorized by the 2009 Legislature was \$319,500 and the department expended all but \$1.00 of that amount. This request will actually increase the base to \$321,167. The adjustment is related to increased operating costs, rather than the restoration to the FY 2010 appropriation level.

Legislature not Bound by Board Decisions
 The executive is requesting, albeit incorrectly, to establish the base to the level authorized by the Board. The policy decision to expend funds on predator control is that of the legislature. If the legislature is not in agreement with the amount of funding requested for this program, an increase or decrease can be made.

DP 125 - LLRMB Board Meetings - The executive requests additional general fund to allow the Livestock Loss Reduction Mitigation Board to meet in Helena four times per year instead of meeting twice per year in person and twice per year by teleconference.

LFD ISSUE Teleconferencing is a Viable Option
 The executive is requesting funds to replace teleconferencing with on-site meetings. In the past biennium the board met twice in person and by teleconference as needed. As state resources have become tighter, many programs in state government have opted to move from on-site meetings to teleconferencing. The department did not indicate why teleconferencing was not meeting the needs of the board. Funding to continue to meet in person twice per year and on teleconference as needed is included in the program's base budget.

New Proposals

The "New Proposals" table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

Program	Fiscal 2012					Fiscal 2013				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 124 - LLRMB Loss Payments GF (Biennial OTO)										
01	0.00	150,000	0	0	150,000	0.00	0	0	0	0
Total	0.00	\$150,000	\$0	\$0	\$150,000	0.00	\$0	\$0	\$0	\$0

DP 124 - LLRMB Loss Payments GF (Biennial OTO) - The executive requests a general fund one-time-only biennial appropriation to pay for losses attributed to wolf depredation.

**LFD
ISSUE**Public Policy Regarding Depredation Payments Needs Updating

The executive is requesting a biennial one-time-only appropriation of \$150,000 to fund depredation claims in the 2013 biennium. The legislature established and the executive approved a biennial one-time-only general fund appropriation for the same purpose for the 2011 biennium. This funding was complemented by biennial federal authority of \$280,000 and state special revenue authority of \$300,000, bringing total authority to \$730,000 for the biennium. The figure below summarizes depredation expenses for FY 2010.

Department of Livestock Wolf Depredation Payments			
	Biennial Authority	FY 2010 Expended	Balance
General Fund	\$150,000	\$11,879	\$138,121
State Special	300,000	0	300,000
Federal Revenues	280,000	140,000	140,000
	<u>\$730,000</u>	<u>\$151,879</u>	<u>\$578,121</u>

Since the last legislative session, two things have occurred that alter the agency's ability to utilize this authority.

First, federal legislation was passed that provided for a 50% federal cost share with states that have wolves. Due to the length of time it takes to process federal rules, the US Fish and Wildlife Service provided Montana \$140,000 for the period of March 30, 2009 through September 30, 2011. The program does not anticipate receiving any additional funds for the 2011 biennium.

The state special revenue authority is dependent upon donations made to the program. When the federal legislation passed, Defenders of Wildlife announced they would no longer be providing grants to states to deal with wolf depredation. Those funds would have been deposited to the state special revenue fund. The fund has not had any revenues this biennium, and the department is not anticipating funds for the 2013 biennium. Given these changes, the program may only have \$138,121 of general fund to cover depredation for the rest of the biennium.

To adjust public policy for the 2011 biennium, the legislature could consider adding a supplemental appropriation to HB 3 to increase funds available to the program through June 30, 2011. At the time the legislature convenes, the program will be able to provide an update on expenditures and pressures on the fund for FY 2011.

As for the 2013 biennium, the issue is determination of public policy for depredation based on the recent federal changes and the lack of donations. The issue for the legislature is how should depredation be funded and what risk is there if it is not adequately funded? Should the legislature continue the funding mix established in the 2011 biennium or should adjustments be made?

This package provides one-time-only general fund authority and leaves the authority for state special revenue and federal funds in the base. The legislature may want to remove the federal authority and direct the department to seek a budget amendment if and when federal funds are granted to the state. State special revenue could be reduced or restricted to eliminate the agency's ability to use the authority elsewhere for purposes not envisioned by the legislature.

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 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	22.00	22.00	21.76	21.76	22.00	21.76	(0.24)	(1.09%)
Personal Services	1,135,911	1,149,108	1,183,422	1,183,446	2,285,019	2,366,868	81,849	3.58%
Operating Expenses	558,721	871,093	752,546	757,630	1,429,814	1,510,176	80,362	5.62%
Equipment & Intangible Assets	5,258	6,603	69,008	5,258	11,861	74,266	62,405	526.14%
Total Costs	\$1,699,890	\$2,026,804	\$2,004,976	\$1,946,334	\$3,726,694	\$3,951,310	\$224,616	6.03%
General Fund	410,574	431,650	386,523	386,772	842,224	773,295	(68,929)	(8.18%)
State Special	1,289,316	1,585,172	1,589,453	1,559,562	2,874,488	3,149,015	274,527	9.55%
Federal Special	0	9,982	29,000	0	9,982	29,000	19,018	190.52%
Total Funds	\$1,699,890	\$2,026,804	\$2,004,976	\$1,946,334	\$3,726,694	\$3,951,310	\$224,616	6.03%

Program Description

The Diagnostic Laboratory provides livestock laboratory diagnostic support for livestock producers and the Animal Health and Milk and Egg program. 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
<ul style="list-style-type: none"> ◆ The Governor is proposing to increase this program's budget by 6% from the previous biennium. ◆ General fund decreases by 8% due to personal service reductions offset by statewide present law adjustments ◆ Major initiatives in the executive budget include: <ul style="list-style-type: none"> ● Funds for new and replacement equipment in the lab ● Adjustment for lab operational costs such as overtime, recharges, and maintenance contracts
Major LFD Issues
<ul style="list-style-type: none"> ◆ The animal health fund is not structurally balanced. ◆ Lab fees have not been increased since December 2007 despite rising costs

Program Narrative

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by five percent. The proposed reduction for this program is \$51,000 per year. The executive included \$33,351 in FY 2012 and \$33,340 in FY 2013 of this amount in two decision packages; DP321 – Continuation of 2% Reduction – 2009 Session and DP 55400 – 4% Personal Services Reductions. The remaining \$17,649 in FY 2012 and \$17,660 in FY 2013 is not a part of the executive request. According to the agency's 5% plan, the remaining reduction would be made in laboratory testing and development.

LFD ISSUE	<u>Not enough detail</u>
	The program's 5% plan lacks the detail needed to understand the impact of reducing the program's budget by an additional \$17,600 per year.

Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Program Funding Table						
Diagnostic Laboratory Program						
Program Funding	Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
01000 Total General Fund	\$ 410,574	24.2%	\$ 386,523	19.3%	\$ 386,772	19.9%
01100 General Fund	410,574	24.2%	386,523	19.3%	386,772	19.9%
02000 Total State Special Funds	1,289,316	75.8%	1,589,453	79.3%	1,559,562	80.1%
02426 Lvstck Per Capita	219,101	12.9%	479,160	23.9%	475,130	24.4%
02427 Animal Health	1,070,215	63.0%	1,110,293	55.4%	1,084,432	55.7%
03000 Total Federal Special Funds	-	-	29,000	1.4%	-	-
03427 Bison Trap Funds	-	-	29,000	1.4%	-	-
Grand Total	<u>\$ 1,699,890</u>	<u>100.0%</u>	<u>\$ 2,004,976</u>	<u>100.0%</u>	<u>\$ 1,946,334</u>	<u>100.0%</u>

The Diagnostic Laboratory (lab) is supported with general fund, animal health fees, per capita fees, and a nominal amount of federal funds.

Funding the Diagnostic Lab

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 lab is not self-supporting, with general fund and per capita fees provided in previous years to supplement lab fees deposited to the animal health fund. For the 2013 biennium, the executive is requesting a further funding shift by increasing per capita fee authority and decreasing animal health and general fund authority. The legislature may wish to consider the impact of the proposed budget as well as evaluate other options.

LFD ISSUE	<u>Animal Health Fund</u>
	The animal health fund receives revenue from two predominant sources, fees charged for lab services and inspection assessments. Fees are established by the lab via rule and were last updated in December of 2007. The figure illustrates the condition of the animal health fund.

Department of Livestock Animal Health Fund				
	Actual FY 2010	Appropriated FY 2011	Executive Request	
			FY 2012	FY 2013
Beginning Balance	\$93,094	\$79,084	\$90,783	(\$81,977)
Expenditures	(1,405,182)	(1,468,301)	(1,652,760)	(1,628,871)
Revenues*	<u>1,391,172</u>	<u>1,480,000</u>	<u>1,480,000</u>	<u>1,480,000</u>
Ending Fund Balance	<u>\$79,084</u>	<u>\$90,783</u>	<u>(\$81,977)</u>	<u>(\$230,848)</u>

* average revenues from FY08, FY 09 and FY10

There are two issues with the current status of the fund: 1) the executive would over appropriate the fund in the 2013 biennium; and 2) revenues are stagnant while costs continue to rise.

Balance Over appropriation by the Executive
 The fund receives, on the average, \$1.48 million in revenues per year; however, the executive is requesting \$1.62 million in authority each year, creating an imbalance of \$140,000 per year. Therefore, either revenue will have to be increased, expenditures reduced, or other funds added to allow expenditure to the requested level.

**LFD
ISSUE CONT.**

Stagnant Revenues

The fund has not experienced any growth in revenues over the past four years, while expenditures have increased over the same period. Lab revenues were up slightly due to brucellosis testing in FY 2008, but if ongoing lab utilization does not change, revenues will remain flat as rates have not been adjusted since December of 2007. Consequently, lab fees will continue to require increasing subsidization from the general fund and/or the per capita fee in future years if trends in both revenues and expenditures continue. The executive has not proposed an increase in lab fees to address the stagnant revenues. The executive budget does include a request to increase authority by 10% for the lab to pay other laboratories for charges incurred. Therefore, the executive is suggesting the legislature adopt a policy to cover increases from other labs, but not increase fees for service at the diagnostic lab.

**LFD
ISSUE**

Funding Formula

During the base year of FY 2010, the lab was funded at 24% general fund, 13% per capita fees, and 63% animal health fund, with federal funds the remainder. If the legislature adopts the executive request, the funding matrix would change to 19% general fund, 34% per capita fees and 55% animal health fees.

The funding matrix for the diagnostic lab is a policy decision of the legislature. The primary policy questions in determining an appropriate funding mix are:

- How much of the lab’s operations are specifically for those producers who reap a direct benefit from the testing? These expenditures would be most appropriately funded with fees.
- How much of the lab’s operations are generally in support of the livestock industry, for which it can then be argued should be supported with the per capita fee?
- How much of the lab’s operations are in support of general public health, for which it can be argued that the general public should provide support through the general fund?

Using a hypothetical to illustrate the principle, if the benefit to general public health represents 20% of the lab’s work, then general fund would support 20% of the costs. The remaining costs would be established based on how much lab utility is in support of individual producers through specific testing, and how much all producers should pay to have the lab available. If the legislature thought that the producers should pay more to use the lab than to have the lab available, then the remaining 80% of the lab’s budget would be split something like 50% animal health fund and 30% per capita fees. The figure demonstrates the change in the funding between the executive proposal and a funding split of 20% general fund, and 30% per capita, and 50% animal health fees.

Department of Livestock				
Impact of Formula Based funding for the Diagnostic Lab				
Funding	Adj Base FY2010	FY2012 Executive	FY 2012 Formula	Difference
General Fund	\$410,574	\$386,523	\$395,195	\$8,672
Livestock Per Capita	219,101	479,160	592,793	113,633
Animal Health	<u>1,070,215</u>	<u>1,110,293</u>	<u>987,988</u>	<u>(122,305)</u>
	<u>1,699,890</u>	<u>1,975,976</u>	<u>1,975,976</u>	<u>\$0</u>

If the legislature wished to use a funding formula, a further issue is whether to formalize one through statute.

Summary

There are three primary issues with the animal health account and the executive budget.

- The executive has over-appropriated the animal health account in the 2013 biennium.
- Revenues to the account are stagnant, and fees have not been increased since 2007, requiring continuing and increasing subsidization from other funding sources.
- The executive is shifting more of the cost of the lab to the per capita fee, and less to the animal health account and the general fund.

**LFD
ISSUE CONT.**

The legislature could address the over expenditure in a number of ways, singly or in combination.

- Increase fees. Fees would need to be increased by about 8.2% if this were the only option pursued.
- Reduce expenditures from the animal health account through reduced lab expenditures or increased subsidy by the per capita fee or general fund. Expenditures would need to be reduced by about \$272,000 over the biennium, or 8.4% from the executive budget if this were the only option pursued.
- Continue to provide increased subsidization from other accounts, either as proposed by the Governor or some other combination.

In conjunction with these potential options, the legislature could also determine what the proper mix of funding for the labs is, and appropriate accordingly. Depending upon the funding mix determined most appropriate, it may require increased fees. The legislature could also request that legislative staff pursue this issue during the interim, either through an interim committee or a performance audit, and report back to the next legislature.

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 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	410,574	410,574	821,148	106.19%	1,699,890	1,699,890	3,399,780	86.04%
Statewide PL Adjustments	9,300	9,538	18,838	2.44%	52,289	53,116	105,405	2.67%
Other PL Adjustments	0	0	0	0.00%	69,768	57,038	126,806	3.21%
New Proposals	(33,351)	(33,340)	(66,691)	(8.62%)	183,029	136,290	319,319	8.08%
Total Budget	\$386,523	\$386,772	\$773,295		\$2,004,976	\$1,946,334	\$3,951,310	

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 2012-----					-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					107,009					107,023
Vacancy Savings					(49,717)					(49,718)
Inflation/Deflation					(5,747)					(5,214)
Fixed Costs					744					1,025
Total Statewide Present Law Adjustments		\$9,300	\$42,989	\$0	\$52,289		\$9,538	\$43,578	\$0	\$53,116
DP 303 - Milk Lab Operational Adjustment	0.00	0	2,720	0	2,720	0.00	0	2,720	0	2,720
DP 304 - Lab Overtime	0.00	0	1,330	0	1,330	0.00	0	1,330	0	1,330
DP 309 - Equipment Replacement - OTO	0.00	0	17,000	0	17,000	0.00	0	0	0	0
DP 311 - Lab Testing	0.00	0	5,947	0	5,947	0.00	0	6,641	0	6,641
DP 317 - Lab Maintenance Contracts	0.00	0	5,219	0	5,219	0.00	0	5,219	0	5,219
DP 318 - Lab Recharges	0.00	0	35,152	0	35,152	0.00	0	38,728	0	38,728
DP 320 - Leased Equipment - Copier	0.00	0	2,400	0	2,400	0.00	0	2,400	0	2,400
Total Other Present Law Adjustments	0.00	\$0	\$69,768	\$0	\$69,768	0.00	\$0	\$57,038	\$0	\$57,038
Grand Total All Present Law Adjustments	0.00	\$9,300	\$112,757	\$0	\$122,057	0.00	\$9,538	\$100,616	\$0	\$110,154

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited by LFD staff as necessary for brevity and/or clarity.

- o **Pay Plan Exceptions** - This program is not subject to an exception from the agency pay plan rules.
- o **Program Specific Obstacles** - These are highly skilled positions that are difficult to recruit for and that are critical for the successful operation of the lab. Laboratory specialists with expertise in such specialized areas as microbiology, serology, and clinical pathology can be difficult to fill.
- o **Vacancy** - The vacancy of a veterinary pathologist has had a serious impact on laboratory operations. Including the administrator, there are three such positions. This vacancy has significantly increased the stress on operations of the organization due to lack of expertise which must be covered by the administrator, due to their skill set and not the responsibilities of the position.
- o **Legislatively Applied Vacancy Savings** - The vacancy of the veterinarian pathologist was the primary means for the diagnostic laboratory to meet its 7% vacancy saving. Operational savings also helped to meet the vacancy savings. The lab did receive a personal services contingency from the budget office to pay out retiring employees.
- o **Pay/Position Changes** – The program did not process any pay or position changes.
- o **Retirements** – The program anticipates three employees retiring in the 2013 biennium at an estimated cost of \$46,804.

DP 303 - Milk Lab Operational Adjustment - Funding for the Diagnostic Lab in the 2011 biennium included a one-time-only appropriation of general fund. The executive requests a base adjustment of state special revenue to restore the one-time-only authority.

DP 304 - Lab Overtime - The executive requests authority for overtime costs in the Diagnostic Lab. Overtime is zero-based and must be approved each legislative session.

LFD COMMENT The executive is requesting the same amount of overtime that was utilized in FY 2010.

DP 309 - Equipment Replacement - OTO - The executive proposes one-time-only authority to replace a serology plate cleaner and a bacteriology incubator in the lab. Both pieces of equipment have exceeded their life expectancy.

DP 311 - Lab Testing - The executive is requesting a base adjustment for the cost of referral testing conducted by outside laboratories. This request would increase base authority for outside lab services to \$65,419.

DP 317 - Lab Maintenance Contracts - The executive is requesting additional authority to pay for increasing costs of maintenance contracts for equipment utilized in the lab. Contract services are estimated at \$46,480 each year of the biennium.

DP 318 - Lab Recharges - The executive is requesting authority to cover lab recharges. Lab recharges are assessed by MSU for facility services based upon square footage. Assessments include operations, electricity, natural gas, and water/sewer.

LFD COMMENT The executive request includes only the amount necessary to cover recharge costs after statewide present law adjustments have been made.

DP 320 - Leased Equipment - Copier - The executive is requesting funding for an additional leased copier for use in the lab.

New Proposals

The “New Proposals” table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

Program	Fiscal 2012					Fiscal 2013				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 302 - Lab Operating Adjustment										
03	0.00	0	169,630	0	169,630	0.00	0	169,630	0	169,630
DP 310 - New Lab Equipment - BIEN/OTO										
03	0.00	0	17,750	29,000	46,750	0.00	0	0	0	0
DP 321 - Continuation of 2% Reduction - 2009 Session										
03	0.00	(22,240)	0	0	(22,240)	0.00	(22,240)	0	0	(22,240)
DP 55400 - 4% General Fund Reduction										
03	(0.24)	(11,111)	0	0	(11,111)	(0.24)	(11,100)	0	0	(11,100)
Total	(0.24)	(\$33,351)	\$187,380	\$29,000	\$183,029	(0.24)	(\$33,340)	\$169,630	\$0	\$136,290

DP 302 - Lab Operating Adjustment - Funding for the Diagnostic Lab in the 2011 biennium included a one-time-only appropriation of general fund. The executive requests a base adjustment to restore the one-time-only authority utilizing state special revenue.

DP 310 - New Lab Equipment - BIEN/OTO - The executive recommends a biennial one-time-only appropriation to purchase new laboratory equipment. This would allow the department to purchase an auto stainer and water bath, a synergy fluorescent polarization testing unit, and a Charm safe level testing unit in the Diagnostic Lab. The Milk Lab would receive a new sink, fume hood, cabinets, and counter top.

DP 321 - Continuation of 2% Reduction - 2009 Session - The 2009 Legislature imposed a 2% across-the-board reduction of general fund but provided flexibility for affected agencies to allocate the reductions when developing operating plans for the 2011 biennium. The legislature directed in statute that agencies reduce their 2013 budget requests by the amount allocated to personal services in the 2011 biennium. This adjustment corresponds to the 2011 biennium portion of the 2% reduction allocated to personal services.

DP 55400 - 4% General Fund Reduction - The executive recommends a 4% reduction of personal services funded with general fund. The reduction includes the permanent reduction of FTE associated with positions vacant when budgets were developed. The reduction includes the elimination of 0.24 FTE.

Language and Statutory Authority

The executive proposes the following language be included in HB 2.

"In the event that the department experiences extended staff absences and is unable to meet service levels required to maintain AAVLD accreditation standards or peak workload demand, the department may hire additional temporary employees or pay overtime, whichever is determined to be the most cost-effective, to maintain service levels. In fiscal year 2012 and fiscal year 2013, the department is appropriated not more than \$30,000 each year for additional cost from the state special revenue per capita fee account to meet the service level requirements."

LFD ISSUE

Alternative Appropriation

The executive is requesting language authority from the per capita fund to cover overtime or the cost of a temporary hire when accreditation standards or workload demand increases staff needs. The same can be accomplished through a restricted, one-time-only biennial appropriation in HB 2 with conditioning language. Including the appropriation in HB 2 will ensure it is included in the fund balance sheet so that the long-term consequences to the per capita fund can be appropriately gauged.

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 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	14.01	14.01	16.01	16.01	14.01	16.01	2.00	14.28%
Personal Services	710,404	762,632	963,581	964,883	1,473,036	1,928,464	455,428	30.92%
Operating Expenses	578,822	742,027	1,283,477	1,286,155	1,320,849	2,569,632	1,248,783	94.54%
Equipment & Intangible Assets	23,831	21,175	38,831	64,831	45,006	103,662	58,656	130.33%
Total Costs	\$1,313,057	\$1,525,834	\$2,285,889	\$2,315,869	\$2,838,891	\$4,601,758	\$1,762,867	62.10%
General Fund	0	0	351,458	351,295	0	702,753	702,753	n/a
State Special	601,610	665,759	1,091,684	1,120,066	1,267,369	2,211,750	944,381	74.52%
Federal Special	711,447	860,075	842,747	844,508	1,571,522	1,687,255	115,733	7.36%
Total Funds	\$1,313,057	\$1,525,834	\$2,285,889	\$2,315,869	\$2,838,891	\$4,601,758	\$1,762,867	62.10%

Program Description

The Animal Health Division 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; Fish, Wildlife and Parks, and the U.S. 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, and certain animal product processing facilities such as rendering plants. The Rabies Control Unit 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 proposes to increase this program's budget by 62% from the previous biennium ◆ General fund is added to this program's budget to fund brucellosis control activities ◆ Major initiatives in the executive budget are: <ul style="list-style-type: none"> • Increase in federal funds for bison surveillance in the greater Yellowstone area • Temporary FTE for brucellosis control work
Major LFD Issues
<ul style="list-style-type: none"> ◆ The request for federal authority does not equal anticipated revenue ◆ Public policy regarding the funding of brucellosis surveillance has not been determined

Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Program Funding	Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
01000 Total General Fund	\$ -	-	\$ 351,458	15.4%	\$ 351,295	15.2%
01100 General Fund	-	-	351,458	15.4%	351,295	15.2%
02000 Total State Special Funds	601,610	45.8%	1,091,684	47.8%	1,120,066	48.4%
02426 Lvstk Per Capita	601,610	45.8%	1,030,855	45.1%	1,059,237	45.7%
02427 Animal Health	-	-	60,829	2.7%	60,829	2.6%
03000 Total Federal Special Funds	711,447	54.2%	842,747	36.9%	844,508	36.5%
03427 Bison Trap Funds	711,447	54.2%	842,747	36.9%	844,508	36.5%
Grand Total	<u>\$ 1,313,057</u>	<u>100.0%</u>	<u>\$ 2,285,889</u>	<u>100.0%</u>	<u>\$ 2,315,869</u>	<u>100.0%</u>

The program is predominantly funded with state special revenue to support disease control, import/export activities, and alternative livestock activities. Federal funds support bison operations and the Greater Yellowstone Interagency Brucellosis Committee (GYIBC) research and cooperative efforts. General fund is proposed to cover short term brucellosis activities for the 2013 biennium.

LFD ISSUE	Funding of Statewide Present Law Adjustments
	The executive funded \$60,829 of the program's statewide present law adjustment with animal health funds. The program has not utilized this funding source in the past. While this would seem to be an appropriate use of the animal health fund, it is projected to have a negative ending fund balance in FY 2013. (See discussion in the Diagnostic Lab program)

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 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	0	0	0	0.00%	1,313,057	1,313,057	2,626,114	57.07%
Statewide PL Adjustments	0	0	0	0.00%	128,875	131,817	260,692	5.67%
Other PL Adjustments	0	0	0	0.00%	141,039	168,403	309,442	6.72%
New Proposals	351,458	351,295	702,753	100.00%	702,918	702,592	1,405,510	30.54%
Total Budget	\$351,458	\$351,295	\$702,753		\$2,285,889	\$2,315,869	\$4,601,758	

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 2012-----					-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					155,940					157,638
Vacancy Savings					(34,654)					(34,724)
Inflation/Deflation					3,523					4,425
Fixed Costs					4,066					4,478
Total Statewide Present Law Adjustments		\$0	\$138,614	(\$9,739)	\$128,875		\$0	\$141,159	(\$9,342)	\$131,817
DP 402 - Bison/GYA Federal Funds										
0.00	0	0	0	141,039	141,039	0.00	0	0	142,403	142,403
DP 414 - Vehicle Replacement - Animal Health - OTO										
0.00	0	0	0	0	0	0.00	0	26,000	0	26,000
Total Other Present Law Adjustments	0.00	\$0	\$0	\$141,039	\$141,039	0.00	\$0	\$26,000	\$142,403	\$168,403
Grand Total All Present Law Adjustments	0.00	\$0	\$138,614	\$131,300	\$269,914	0.00	\$0	\$167,159	\$133,061	\$300,220

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited by LFD staff as necessary for brevity and/or clarity.

- o **Pay Plan Exceptions** - This program is not a subject of an exception from the agency pay plan rules.
- o **Program Specific Obstacles** – The program does not report major difficulties in recruitment of qualified employees.
- o **Vacancy** - The animal health division does not have a turnover problem. When there are vacancies, animal disease investigations and management is impacted.
- o **Legislatively Applied Vacancy Savings** - The 7% vacancy savings was met by the vacancy of an administrative support position and the utilization of federal funds from cooperative agreements.
- o **Pay/Position Changes** – The program granted one increase related to the completion of a training assignment. The adjustment was for \$1.00 per hour or 9.1%.
- o **Retirements** - There are no retirements anticipated in this program in the 2013 biennium.

DP 402 - Bison/GYA Federal Funds - The executive is requesting an increase in federal authority for bison operations in the Greater Yellowstone Area (GYA). This proposal would increase federal special revenue authority to expend the anticipated federal funds of \$851,000.

LFD ISSUE	<p><u>Authority Request does not Equal Anticipated Funds</u></p> <p>The executive requests authority to expend \$851,000 of anticipated federal funds. However, the adjustment actually provides authority \$8,252 in FY 2012 and \$6,492 in FY 2013 less than the anticipated amount.</p> <p><u>Not Eligible for a Budget Amendment</u></p> <p>During the interim, the executive can request budget authority for federal funds that were not contemplated by the legislature in the previous session. Since the executive has indicated the anticipatory level of funding is \$851,000, the program would not be eligible to receive a budget amendment during the 2013 biennium for this purpose. If the legislature wishes to provide \$851,000 in authority, an adjustment would need to be made during the legislative session.</p>
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DP 414 - Vehicle Replacement - Animal Health - OTO - The executive requests one time only authority to replace a 4x4 vehicle that could exceed its service life in FY 2013.

LFD ISSUE Routine Vehicle Replacement Would be Appropriate be in the Base

The executive is requesting replacement of a vehicle. The legislature provided one-time-only authority to replace two vehicles in the 2011 biennium. Vehicles are considered a capitalized asset and therefore need to be placed on a replacement cycle and funded in the base. This program does not have any base authority to purchase vehicles. The legislature may wish to establish a base of one vehicle per biennium or request a replacement plan from the agency to determine cyclic needs.

New Proposals

The “New Proposals” table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

Program	-----Fiscal 2012-----					-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 405 - Brucellosis - Designated Surveillance Area - OTO										
04	0.00	285,513	285,514	0	571,027	0.00	285,513	285,514	0	571,027
DP 406 - Brucellosis Vet & Compliance Specialist -OTO										
04	2.00	65,945	65,946	0	131,891	2.00	65,782	65,783	0	131,565
Total	2.00	\$351,458	\$351,460	\$0	\$702,918	2.00	\$351,295	\$351,297	\$0	\$702,592

DP 405 - Brucellosis - Designated Surveillance Area - OTO - The executive recommends one-time-only authority to continue brucellosis surveillance in Montana. The Designated Surveillance Area (DSA) plan covering parts of Beaverhead, Madison, Gallatin, and Park counties requires continued testing and risk mitigation activities. The source of funding requested is 50% general fund and 50% per capita fee. If federal funds for brucellosis testing are made available to the department, state general fund would be reduced by a like amount.

LFD COMMENT Because funding for the DSA needs to be looked at in whole, the legislature may wish to consider this decision package and DP 406 below in concert.

DP 406 - Brucellosis Vet & Compliance Specialist -OTO - The executive proposes one-time-only funding for a 1.00 FTE brucellosis veterinarian and a 1.00 FTE brucellosis compliance specialist. These positions would provide oversight of calf hood and adult vaccination for brucellosis and herd plans as well as provide administrative duties related to record keeping, compliance, and communications with producers.

LFD ISSUE Public Policy to Fund the DSA Needs to be Determined

The 2009 Legislature appropriated funds for the brucellosis action plan, including funds to regain class free status and to increase surveillance activities to maintain class free status once it was obtained. This included:

- \$2.7 million in one-time-only authority in HB 3 for calendar year 2009 to obtain class free status. The department expended \$1.84 million of this appropriation and it was removed from the base.
- A HB 2 line item one-time-only appropriation for surveillance activities of \$419,447 in FY 2010 and \$705,274 in FY 2011. This was funded with \$250,000 general fund each year and the remainder was per capita fees. The FY 2010 expenditure was removed from the base.

**LFD
ISSUE CONT.**

The status of the 2011 biennium appropriation is detailed in the figure.

The appropriation for FY 2011 is higher than FY 2010 due to the fact that the department had the ability to expend Brucellosis Action Plan funding from HB 3 through calendar year 2009, which is midway through FY 2010. As of this writing, the department has spent \$195,800 of the FY 2011 appropriation.

Department of Livestock 2011 Biennium Brucellosis Herd Plan Funding - OTO				
	Appropriated		Expended	
	FY 2010	FY 2011	FY 2010	FY2011*
General Fund	\$250,000	\$250,000	\$34,367	\$0
Per Capita Fees	<u>169,447</u>	<u>455,274</u>	<u>143,287</u>	<u>195,881</u>
Total	<u>\$419,447</u>	<u>\$705,274</u>	<u>\$177,654</u>	<u>\$195,881</u>

* as of 12/4/2010

In the 2013 biennium, the executive is requesting the restoration of one-time-only authority granted by the 2009 Legislature to maintain funding for longer term surveillance and mitigation activities related to maintaining the Class Free brucellosis status for the State of Montana due to the known risks in the Greater Yellowstone Area. The requests are summarized below.

Department of Livestock Brucellosis Related Decision Packages -OTO					
	DP 405 - DSA		DP 406 - 2.0 FTE		Biennial Total
	FY 2012	FY 2013	FY 2012	FY 2013	
General Fund	\$285,513	\$285,513	\$65,945	\$65,782	\$702,753
Per Capita Fees	<u>285,514</u>	<u>285,514</u>	<u>65,946</u>	<u>65,783</u>	<u>702,757</u>
Total	<u>\$571,027</u>	<u>\$571,027</u>	<u>\$131,891</u>	<u>\$131,565</u>	<u>\$1,405,510</u>

The executive's current request is to restore the funding provided in the 2011 biennium at the FY 2011 levels. The table to the left summarizes the two decision packages. Note that the total each year of the biennium is just about equal to what was appropriated for FY 2011. The legislature designated the 2011 biennium appropriations as one-time-only in order to further examine the

outcomes of the expenses and determine what ongoing surveillance should be funded. The executive continues the one-time-only designation.

There are a few differences between this one-time-only request in the 2013 biennium and the 2011 biennium appropriation. First, the executive has split the request into two decision packages - one is operational and the other is FTE, which funds the personnel with specialized skills necessary to implement the DSA. Therefore, the two decision packages should be considered together.

Second, the executive has assumed the public policy of 50% general fund and 50% from producers via the per capita fee, which has a declining fund balance as discussed in the Agency Summary section of this analysis. The per capita fee is predominately paid on cattle. However, the fee is also charged to owners of horses, sheep, swine, and poultry. The legislature could change this funding ratio. The 2009 plan was funded 60% general fund in FY 2010 and 35% in FY 2011, indicating that the 2009 legislature's intent was to decrease the general fund and shift the cost to the per capita fee.

The department currently receives some federal funds related to bison control to aid in brucellosis control. Federal funds are not currently available, but if any should be received, the executive notes that federal funds would offset general fund.

The legislature may wish to consider:

- o If a one-time-only designation is appropriate given the ongoing issues with brucellosis control
- o If there is a public benefit to utilize general fund as an equal funding source of the plan
- o If the per capita fee is appropriate given that it is collected on a wide variety of species and has a declining fund balance
- o Clarifying in HB 2 that any federal funding received for the plan would subsequently reduce the general fund appropriation and direct the department to aggressively pursue all potential federal funds

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 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	5.00	5.00	6.50	6.50	5.00	6.50	1.50	30.00%
Personal Services	252,171	278,959	426,840	426,661	531,130	853,501	322,371	60.70%
Operating Expenses	46,491	53,298	51,569	53,720	99,789	105,289	5,500	5.51%
Equipment & Intangible Assets	0	0	26,000	26,000	0	52,000	52,000	n/a
Total Costs	\$298,662	\$332,257	\$504,409	\$506,381	\$630,919	\$1,010,790	\$379,871	60.21%
State Special	270,174	297,504	475,921	477,893	567,678	953,814	386,136	68.02%
Federal Special	28,488	34,753	28,488	28,488	63,241	56,976	(6,265)	(9.91%)
Total Funds	\$298,662	\$332,257	\$504,409	\$506,381	\$630,919	\$1,010,790	\$379,871	60.21%

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 is proposing to increase this program's budget by 60.2% from the previous biennium ◆ State special revenue increases due to an initiative to establish a fee based egg grading program ◆ Major initiatives include: <ul style="list-style-type: none"> ● Replacement of vehicles ● New egg grading program
Major LFD Issues
<ul style="list-style-type: none"> ◆ Routine replacement of program assets should be in the base ◆ The request for egg graders may not be self supporting

Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Program Funding	Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
02000 Total State Special Funds	\$ 270,174	90.5%	\$ 475,921	94.4%	\$ 477,893	94.4%
02427 Animal Health	270,174	90.5%	475,921	94.4%	477,893	94.4%
03000 Total Federal Special Funds	28,488	9.5%	28,488	5.6%	28,488	5.6%
03032 Animal Health Sp. Rev	28,488	9.5%	28,488	5.6%	28,488	5.6%
Grand Total	\$ 298,662	100.0%	\$ 504,409	100.0%	\$ 506,381	100.0%

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 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	0	0	0	0.00%	298,662	298,662	597,324	59.09%
Statewide PL Adjustments	0	0	0	0.00%	47,037	47,808	94,845	9.38%
Other PL Adjustments	0	0	0	0.00%	28,866	30,378	59,244	5.86%
New Proposals	0	0	0	0.00%	129,844	129,533	259,377	25.66%
Total Budget	\$0	\$0	\$0		\$504,409	\$506,381	\$1,010,790	

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 2012-----				-----Fiscal 2013-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					57,199					57,337
Vacancy Savings					(12,374)					(12,380)
Inflation/Deflation					1,973					2,575
Fixed Costs					239					276
Total Statewide Present Law Adjustments		\$0	\$47,037	\$0	\$47,037		\$0	\$47,808	\$0	\$47,808
DP 501 - Out of State Travel	0.00	0	2,866	0	2,866	0.00	0	4,378	0	4,378
DP 515 - Vehicle Replacement - Milk and Egg Bureau (OTO)	0.00	0	26,000	0	26,000	0.00	0	26,000	0	26,000
Total Other Present Law Adjustments	0.00	\$0	\$28,866	\$0	\$28,866	0.00	\$0	\$30,378	\$0	\$30,378
Grand Total All Present Law Adjustments	0.00	\$0	\$75,903	\$0	\$75,903	0.00	\$0	\$78,186	\$0	\$78,186

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited by LFD staff as necessary for brevity and/or clarity.

- o **Pay Plan Exceptions** - This program is not subject of an exception from the agency pay plan rules.
- o **Program Specific Obstacles** - The milk and egg inspection program staff must be qualified in specialized state and federal standards.
- o **Vacancy** - When there is a vacancy in one of the inspector positions, a serious workload problem occurs. There are only 5.00 FTE in this bureau, four of which are inspectors that must cover the entire state. These are inspectors that require specialized qualifications.
- o **Legislatively Applied Vacancy Savings** - The 7% vacancy saving was met by keeping one position in the central office at half time, and utilizing a retired inspector who worked fewer than full time hours.
- o **Pay/Position Changes** - There were no pay or position changes granted in this program.
- o **Retirements** - There are no retirements anticipated in the milk and egg bureau in the 2013 biennium.

DP 501 - Out of State Travel - The executive requests authority to increase out of state travel. Milk and Egg Sanitarians are required to complete ongoing training in order to maintain their professional certification. Base year expenditures for training and travel were lower than the budgeted amount due to the location of available training events.

DP 515 - Vehicle Replacement - Milk and Egg Bureau (OTO) - The executive requests one time only state special revenue funding to replace one 4x4 vehicle in the Milk and Egg Bureau each year of the 2103 biennium.

LFD
ISSUE

Routine Vehicle Replacement Should be in the Base

The executive is requesting replacement of a vehicle. The legislature provided one-time-only authority to replace two vehicles in the 2011 biennium. Vehicles are considered a capitalized asset and therefore need to be placed on a replacement cycle and funded in the base. This program does not have any base authority to purchase vehicles. The legislature may wish to establish a base of one vehicle per biennium or request a replacement plan from the agency to determine cyclic needs.

New Proposals

The “New Proposals” table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

Program	FTE	Fiscal 2012				Fiscal 2013				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 507 - New Egg Graders SSR										
05	1.50	0	129,844	0	129,844	1.50	0	129,533	0	129,533
Total	1.50	\$0	\$129,844	\$0	\$129,844	1.50	\$0	\$129,533	\$0	\$129,533

DP 507 - New Egg Graders SSR - The executive recommends an additional 1.50 FTE to provide fee egg grading for their industry in Montana. Fee egg grading will allow egg packers to apply the USDA grade shield to cartons of eggs they market. The program is voluntary and the producer requesting the service bares the costs of the inspection service.

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Justification - The egg producers in the State have requested that the program provide fee egg grading for their industry

in Montana. Fee egg grading will allow egg packers to apply the USDA grade shield to cartons of eggs they market. Many national retailers and restaurants require the USDA shield grade on eggs they purchase. Having shield eggs available in state will open up new marketing opportunities to Montana egg producers.

Goals - The goal of this program is to provide USDA Fee Egg Grading to the egg production industry in the State of Montana that is not currently available. The constant surveillance of egg grading provided by this program will provide an added layer of confidence to egg purchasers of the wholesomeness and safety of the eggs they purchase, which coincides with the mission of the Department of Livestock.

Performance Criteria - Montana egg producers will build and fund their own grading facility in Montana. The new facility will have state of art egg grading equipment to facilitate grading services. Department of Livestock inspectors will be USDA certified. The employee in the egg grading position will be trained and certified by the USDA as an Egg Grader. Within one month of hiring, this employee will be required to attend USDA egg grading at a USDA egg grading plant and pass the egg graders exam with a satisfactory score.

Milestones

- 1) By end of March 2011 the Department of Livestock becomes a State Trust for USDA Egg Grading.
- 2) By end of April 2011 USDA approval of the Great Falls grading facility for egg grading will be achieved.
- 3) Final timing for filling of the proposed positions will depend on the completion date for construction of the facilities and installation of equipment. Based on the current timeline for those actions the Department's proposed timeline is as follows: a) 1.00 FTE egg grader position will be recruited and filled by the end of June 2011, b) training and certification for egg grading will be completed by the end of July 2011. c) inspections and revenues from the fees will begin with the onset of inspections the beginning of August 2011.
- 4) The .50 FTE will not be filled until after a contract for service is completed with a second egg grading facility in Broadview, Montana. It is anticipated that the second facility will be approved for service by the USDA by December 31, 2011. The .50 FTE will be recruited in December 2011 and trained and operational by January 2012.
- 5) Revenues will be received each month and recorded in Department of Livestock state special revenue account. Expenses will be applied against revenues collected from the inspection fees.

FTE - We anticipate there will be fee grading at two (2) locations. One location will require one full time employee. The second location would require a half FTE. The routine inspector must be supervised by a USDA certified supervisor. The supervisor will also act as relief grader in cases of illness or other absences. Supervision will be conducted with existing staff.

LFD ISSUE	<p><u>FTE funding is overstated.</u></p> <p>The department is requesting 1.5 FTE for the 2013 biennium. The performance write up indicates that 1.0 FTE would be on board in early FY 2012, but the 0.50 FTE is not scheduled to be hired until December 2011, almost halfway through FY 2012. The legislature may wish to reduce the funding for the 0.5 FTE by \$23,047 to accurately reflect the department's plan.</p>
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FUNDING SOURCE - The egg grading facility with Department of Livestock staff and operational costs will be fully funded with state special revenue in state fiscal year 2011 and beyond.

LFD ISSUE	<p><u>Fees should be segregated to another fund</u></p> <p>The animal health fund receives diagnostic lab revenues and egg fees. The executive's proposal requests that egg fees, within the animal health fund, be dedicated to this request.</p>
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**LFD
ISSUE CONT.**

The fee based egg grading program will have to generate \$125,000 each year of the biennium to support the program, or lab fees will end up subsidizing the program. The legislature could consider a different public policy decision via statute and separate those fees out into state special revenue for this specific purpose. This would allow the two revenue streams to be dedicated to a specific program and utilized appropriately. The table below illustrates funding egg and milk activities with egg and milk funds.

Milk and Egg Related Expenditures and Revenues			
	Adj. Base	Requested	
	FY 2010	FY 2012	FY 2013
Milk Lab	\$100,431	\$103,151	\$103,045
Milk-Egg Program	<u>371,211</u>	<u>475,921</u>	<u>477,893</u>
Total	471,642	579,072	580,938
Revenues			
Base*	401,688	416,643	416,643
Structural Balance	<u>(\$69,954)</u>	<u>(\$162,429)</u>	<u>(\$164,295)</u>
New Revenues		129,844	129,533
Adj. Structural Balance		(32,585)	(34,762)

* FY12 & FY 13 estimated on three year average

OBSTACLES - Health sanitarians require specialized training, are difficult to recruit and retain and require extensive travel in-state.

RISKS - Montana egg producers will have invested between \$2.5 and \$3 million for specialized equipment and the egg grading facilities. It is imperative for them to have qualified egg grading services from Montana inspectors to protect their investment and to allow the program to successfully enhance the economy of Montana. Without qualified inspector/graders the state will not be able to receive the required USDA shield of approval.

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 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	57.21	57.21	58.95	57.21	57.21	57.21	0.00	0.00%
Personal Services	2,674,474	2,720,165	2,836,054	2,773,866	5,394,639	5,609,920	215,281	3.99%
Operating Expenses	424,980	348,430	447,800	449,624	773,410	897,424	124,014	16.03%
Equipment & Intangible Assets	9,248	42,274	130,000	130,000	51,522	260,000	208,478	404.64%
Total Costs	\$3,108,702	\$3,110,869	\$3,413,854	\$3,353,490	\$6,219,571	\$6,767,344	\$547,773	8.81%
General Fund	2,943	3,001	2,943	2,943	5,944	5,886	(58)	(0.98%)
State Special	3,105,759	3,107,868	3,410,911	3,350,547	6,213,627	6,761,458	547,831	8.82%
Total Funds	\$3,108,702	\$3,110,869	\$3,413,854	\$3,353,490	\$6,219,571	\$6,767,344	\$547,773	8.81%

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	
<ul style="list-style-type: none"> ◆ The Governor is proposing to increase this program's budget by 8.8% from the previous biennium ◆ Major initiatives in the executive budget include: <ul style="list-style-type: none"> ● Completion of brand rerecord activities ● Replacement vehicles ● Restoration of overtime and out of state travel funds 	
Major LFD Issues	
<ul style="list-style-type: none"> ◆ The re-occurring costs to replace vehicles should be funded in the base budget 	

Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Program Funding Table						
Brands Enforcement Division						
Program Funding	Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
01000 Total General Fund	\$ 2,943	0.1%	\$ 2,943	0.1%	\$ 2,943	0.1%
01100 General Fund	2,943	0.1%	2,943	0.1%	2,943	0.1%
02000 Total State Special Funds	3,105,759	99.9%	3,410,911	99.9%	3,350,547	99.9%
02425 Inspection And Control	1,984,650	63.8%	2,145,664	62.9%	2,092,199	62.4%
02426 Lvstck Per Capita	<u>1,121,109</u>	<u>36.1%</u>	<u>1,265,247</u>	<u>37.1%</u>	<u>1,258,348</u>	<u>37.5%</u>
Grand Total	<u>\$ 3,108,702</u>	<u>100.0%</u>	<u>\$ 3,413,854</u>	<u>100.0%</u>	<u>\$ 3,353,490</u>	<u>100.0%</u>

The Brand Enforcement Division is funded with general fund, per capita fees, and inspection and control funds. Inspection and control funds are generated from brand recordings, and market and local inspections.

LFD ISSUE	General fund Could be Removed
	The executive requests \$5,886 in general fund for the biennium. These funds could be replaced by inspection and control funds, which are in the process of being restored through the 10 year rerecord function.

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 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	2,943	2,943	5,886	100.00%	3,108,702	3,108,702	6,217,404	91.87%
Statewide PL Adjustments	0	0	0	0.00%	10,308	16,487	26,795	0.40%
Other PL Adjustments	0	0	0	0.00%	228,301	228,301	456,602	6.75%
New Proposals	0	0	0	0.00%	66,543	0	66,543	0.98%
Total Budget	\$2,943	\$2,943	\$5,886		\$3,413,854	\$3,353,490	\$6,767,344	

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 2012-----					-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Present Law Adjustments										
Personal Services					106,784					108,545
Vacancy Savings					(111,249)					(111,322)
Inflation/Deflation					13,439					17,724
Fixed Costs					1,334					1,540
Total Statewide Present Law Adjustments		\$0	\$10,308	\$0	\$10,308		\$0	\$16,487	\$0	\$16,487
DP 601 - Overtime	0.00	0	102,169	0	102,169	0.00	0	102,169	0	102,169
DP 602 - Out of State Travel	0.00	0	5,380	0	5,380	0.00	0	5,380	0	5,380
DP 613 - Vehicle Replacement - Brands (OTO)	0.00	0	120,752	0	120,752	0.00	0	120,752	0	120,752
Total Other Present Law Adjustments	0.00	\$0	\$228,301	\$0	\$228,301	0.00	\$0	\$228,301	\$0	\$228,301
Grand Total All Present Law Adjustments	0.00	\$0	\$238,609	\$0	\$238,609	0.00	\$0	\$244,788	\$0	\$244,788

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited by LFD staff as necessary for brevity and/or clarity.

- o **Pay Plan Exceptions** - The division is not subject to an exception to the agency pay plan rules.
- o **Program Specific Obstacles** - The brands enforcement division has experienced high turnover in certain remote areas of the state. Pay adjustments have been provided in high turnover areas. The program also extended the moving allowance to new field employees in order to attract and retain inspectors. The cost is absorbed within the division's operational budget.
- o **Vacancy** - Serious delays in livestock investigations occur when there are staffing problems. Producers may experience delays in receiving needed inspections. Other inspectors or area supervisors may be pulled out of their areas to perform essential duties.
- o **Legislatively Applied Vacancy Savings** - The 7% vacancy savings was extremely hard to meet in the Brands Enforcement Division. One less vehicle was purchased, operational expenses were reduced, and program transfers from other divisions were made. The Brands Enforcement Division did receive a contingency from the Governor's budget office to pay out retiring employees.
- o **Pay/Position Changes** - Adjustments were provided in areas of high turnover.
- o **Retirements** - The program has two employees likely to retire the 2013 biennium, with an anticipated payout of \$45,055.

DP 601 - Overtime - The executive is requesting restoration of overtime authority at the FY 2010 level. The program works extensive overtime during the fall market and at other peak times of the year.

DP 602 - Out of State Travel - The executive requests budget authority for costs associated with out of state training and travel. The Board of Livestock has approved five attendees.

LFD ISSUE	<u>Legislature is Not Bound by Board Decisions</u> The executive is requesting funds for out-of-state travel equal to the board's decision to send five attendees. However, it is the discretion of the legislature to fund out-of-state travel based on the needs of the state. This adjustment would increase base expenditures by 179%.
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DP 613 - Vehicle Replacement - Brands (OTO) - The budget includes \$one-time-only state authority to purchase replacement 4x4 extended cab pickups set up for law enforcement and towing. This proposal provides funding to purchase five vehicles per year at a cost of \$26,000 per vehicle. The Brands Enforcement division has \$9,248 in their base budget for this purpose.

LFD ISSUE	<u>Replacement Cycle is not Funded</u>
The executive is requesting funding for five replacement vehicles per the division’s replacement schedule. However, base authority covers less than half of one vehicle. If the division has an asset replacement program, the base budget should provide funding for that program as it is an on-going operational cost of the program. The legislature may wish to consider adjusting the decision package to add base authority for vehicle purchase in lieu of entertaining one-time-only requests on a biennial basis.	

New Proposals

The “New Proposals” table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals										
Program	FTE	Fiscal 2012				Fiscal 2013				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 604 - Brand Rerecord - (OTO)										
06	1.74	0	66,543	0	66,543	0.00	0	0	0	0
Total	1.74	\$0	\$66,543	\$0	\$66,543	0.00	\$0	\$0	\$0	\$0

DP 604 - Brand Rerecord - (OTO) - The executive recommends one-time-only authority for 1.74 FTE and operating costs associated with finishing up the ten year brand rerecord. The rerecord spans all of calendar year 2011, which carries into the first half of state FY 2012.

LFD COMMENT	The 2009 legislature provided FY 2011 authority of \$179,981 for the first half of rerecord. This decision package brings the total budget for rerecord to \$246,524.
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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 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	20.50	20.50	20.50	20.50	20.50	20.50	0.00	0.00%
Personal Services	883,201	922,128	926,931	926,725	1,805,329	1,853,656	48,327	2.68%
Operating Expenses	274,197	292,175	309,468	309,976	566,372	619,444	53,072	9.37%
Total Costs	\$1,157,398	\$1,214,303	\$1,236,399	\$1,236,701	\$2,371,701	\$2,473,100	\$101,399	4.28%
General Fund	567,015	603,864	615,341	615,492	1,170,879	1,230,833	59,954	5.12%
State Special	5,717	6,407	5,717	5,717	12,124	11,434	(690)	(5.69%)
Federal Special	584,666	604,032	615,341	615,492	1,188,698	1,230,833	42,135	3.54%
Total Funds	\$1,157,398	\$1,214,303	\$1,236,399	\$1,236,701	\$2,371,701	\$2,473,100	\$101,399	4.28%

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
<ul style="list-style-type: none"> ◆ The Governor proposes to increase this program's budget by 4.3% from the previous biennium. ◆ Major initiatives in the executive budget include: <ul style="list-style-type: none"> ● Equipping computers with wireless cards ● Adjusting for indirect costs.
Major LFD Issues
<ul style="list-style-type: none"> ◆ There may be a risk in funding only one half of the indirect cost plan

Program Narrative

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The proposed reduction for this program is \$1,308 general fund per year. The executive did not include any part of it in the executive request. According to the agency's 5% plan, the remaining reduction would be made in daily trips to inspect meat and poultry plants. If this plan was implemented the growth in general fund for the biennium would be reduced to 4.89% from 5.12%.

**LFD
ISSUE**Impact is not Reasonable

The executive is stating that the program would need to reduce daily trips for inspection work if the reduction was taken. In the base year, the department was provided \$594,770 of general fund authority, and expended \$565,427, leaving \$29,343 unspent. The carry forward rules allow the department to utilize \$8,802 of this authority for any purpose related to the department's mission for the next two years. This amount is significantly higher than the 5% reduction plan, leaving the program with ample authority to continue to conduct business as normal.

Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

Program Funding	Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
01000 Total General Fund	\$ 567,015	49.0%	\$ 615,341	49.8%	\$ 615,492	49.8%
01100 General Fund	567,015	49.0%	615,341	49.8%	615,492	49.8%
02000 Total State Special Funds	5,717	0.5%	5,717	0.5%	5,717	0.5%
02427 Animal Health	5,717	0.5%	5,717	0.5%	5,717	0.5%
03000 Total Federal Special Funds	584,666	50.5%	615,341	49.8%	615,492	49.8%
03209 Meat/Poultry Inspection Sp Rev	584,666	50.5%	615,341	49.8%	615,492	49.8%
Grand Total	\$ 1,157,398	100.0%	\$ 1,236,399	100.0%	\$ 1,236,701	100.0%

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 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	567,015	567,015	1,134,030	92.14%	1,157,398	1,157,398	2,314,796	93.60%
Statewide PL Adjustments	15,248	15,399	30,647	2.49%	12,845	13,147	25,992	1.05%
Other PL Adjustments	33,078	33,078	66,156	5.37%	66,156	66,156	132,312	5.35%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
Total Budget	\$615,341	\$615,492	\$1,230,833		\$1,236,399	\$1,236,701	\$2,473,100	

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 2012-----					-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					82,352					82,134
Vacancy Savings					(38,622)					(38,610)
Inflation/Deflation					(29,552)					(29,061)
Fixed Costs					(1,333)					(1,316)
Total Statewide Present Law Adjustments		\$15,248	\$0	(\$2,403)	\$12,845		\$15,399	\$0	(\$2,252)	\$13,147
DP 1001 - PC Wireless Cards	0.00	6,240	0	6,240	12,480	0.00	6,240	0	6,240	12,480
DP 1008 - Meat Inspection Adjustment	0.00	26,838	0	26,838	53,676	0.00	26,838	0	26,838	53,676
Total Other Present Law Adjustments	0.00	\$33,078	\$0	\$33,078	\$66,156	0.00	\$33,078	\$0	\$33,078	\$66,156
Grand Total All Present Law Adjustments	0.00	\$48,326	\$0	\$30,675	\$79,001	0.00	\$48,477	\$0	\$30,826	\$79,303

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited by LFD staff as necessary for brevity and/or clarity.

- o **Pay Plan Exceptions** - This program is not subject to an exception from the agency pay plan rules.
- o **Program Specific Obstacles** - Meat Inspection must recruit and retain highly skilled inspectors and other professional positions. Turnover has been a problem in some remote areas of the state. Pay adjustments have been made in high turnover areas of the state in order to retain qualified employees.
- o **Vacancy** - Whenever vacancies do occur, the Meat Inspection Bureau must shift staff to cover required inspections. This is highly difficult given inspections are required daily.
- o **Legislatively Applied Vacancy Savings** - The program met its 7% vacancy savings requirement by holding positions open and reducing operational expenditures. This was very difficult to do in view of daily inspection requirements throughout the state. A personal services contingency was approved by the Governor's budget office to cover payout cost of retiring employees.
- o **Pay/Position Changes** - One pay change was provided at the end of a training assignment.
- o **Retirements** - There is one employee likely to retire in the 2013 biennium. The cost of this retirement payout is projected at \$9,958.

DP 1001 - PC Wireless Cards - The department is required by the USDA Food Safety and Inspection Service to equip field computers with wireless cards. The executive requests authority to purchase wireless cards for the field computers utilized by meat inspectors.

**LFD
ISSUE**

One-Time-Only Cost

The executive is requesting to add wireless cards to field computers. The budget detail indicates that this is a computer hardware purchase, not ongoing costs of operating the cards. The legislature may wish to condition this appropriation as one-time-only and avoid increasing the base budget by \$12,480.

DP 1008 - Meat Inspection Adjustment - The executive recommends increased authority to cover indirect program costs as negotiated with the U.S. Department of Agriculture. These funds are to cover all of the accounting, budgeting, personnel, and operational expenses associated with administering the meat inspection program. This adjustment would raise the base budget to \$90,088 equally split between general fund and federal funds.

**LFD
ISSUE**Half of Negotiated Amount

The executive chose to request only one half of the indirect cost negotiated with the USDA. The total indirect budget was established at \$180,176 per year. The budget request does not indicate if any risk to the program exists if the entire amount is not budgeted. Without knowing the risk the legislature cannot determine if the budget level is adequate.