

Agency Budget Comparison

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

Agency Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	138.47	138.47	139.12	139.12	138.47	139.12	0.65	0.47 %
Personal Services	6,966,271	7,635,552	8,424,105	8,422,558	14,601,823	16,846,663	2,244,840	15.37 %
Operating Expenses	2,699,712	3,248,357	3,549,800	3,481,761	5,948,069	7,031,561	1,083,492	18.22 %
Equipment & Intangible Assets	61,689	7,149	61,689	61,689	68,838	123,378	54,540	79.23 %
Grants	0	0	0	0	0	0	0	0.00 %
Benefits & Claims	0	0	0	0	0	0	0	0.00 %
Transfers	223,054	75,997	223,054	223,054	299,051	446,108	147,057	49.17 %
Debt Service	19,967	24,842	19,967	19,967	44,809	39,934	(4,875)	(10.88)%
Total Costs	\$9,970,693	\$10,991,897	\$12,278,615	\$12,209,029	\$20,962,590	\$24,487,644	\$3,525,054	16.82 %
General Fund	984,208	1,559,633	2,536,002	2,536,504	2,543,841	5,072,506	2,528,665	99.40 %
State/Other Special Rev. Funds	7,607,738	7,961,560	7,976,807	7,906,775	15,569,298	15,883,582	314,284	2.02 %
Federal Spec. Rev. Funds	1,378,747	1,470,704	1,765,806	1,765,750	2,849,451	3,531,556	682,105	23.94 %
Total Funds	\$9,970,693	\$10,991,897	\$12,278,615	\$12,209,029	\$20,962,590	\$24,487,644	\$3,525,054	16.82 %

Mission Statement

The mission of the Department of Livestock is 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.

Agency Highlights

Department of Livestock Major Budget Highlights
<p>The proposed budget increases 16.82% over the prior biennium due to:</p> <ul style="list-style-type: none"> • Statewide present law adjustments and new proposals • General fund that increases 99.40% from the prior biennium • Major initiatives in the budget are: <ul style="list-style-type: none"> • continuation of DSA vet compliance specialist, and DSA Brucellosis testing funded with \$1.2 million general fund • Meat inspection indirect costs \$180,000 general fund
Legislative Action Issues
<ul style="list-style-type: none"> • The Department's ability to manage resources effectively are questionable. <ul style="list-style-type: none"> ◦ The legislature may wish to request additional information from the department to assure financial and managerial improvements occur. ◦ The legislature may wish to zero base the budget to fully examine the use of state resources.

**LFD
ISSUE**

Can additional per capita revenue be obtained without raising the fees?

In the 2013 session SB 162 eliminated the Department of Revenue (DOR) from the hail insurance and gave all the duties to the Department of Agriculture.

The legislature might want to consider doing this for the collection of per capita fees by having the Department of Livestock rather than the Department of Revenue take over the duties of collecting the fees. Justifications for this might be:

- The Board of Livestock sets the per capita fee annually
- It's the Department of Livestock major funding source
- Often the per capita fund is not structurally balanced

The Department of Livestock might increase per capita revenue by initiating compliance measures such as:

1. Comparing laboratory test data to the number of reported livestock
2. Comparing inspections of cattle moving between counties to the number of reported livestock
3. Compare brand inspection data to the number of reported livestock
4. Compare number of cattle entering Montana to the number of reported livestock
 - The Department of livestock wouldn't have to pay the 2% fee which is not sent to the Department of Revenue (approximately \$82,000 per year)
 - Under 15-24-905, owners who bring livestock into the state are required to send a certified letter to the Department of Revenue verifying the number of livestock, the brand, age of the livestock and the time and place where the livestock entered the state and the county in which they were moved. The Department of Livestock is required monthly to furnish most of these same records to the Department of Revenue. It seems inefficient for the two agencies to have duplicate record keeping requirements.
 - If the Department of Livestock took over from DOR, the Department of Livestock could eliminate the reference to the business equipment tax on the per capita form and use the form to show services the fee is providing for the producers. This might increase better reporting and greater revenue.
 - Another option could be to seek out alternative methods of revenue collection
 - Currently, livestock owners are responsible for self-reporting the number of livestock to the DOR who bills and collects the fee revenue for the Department of Livestock
 - At a Board of Livestock meeting, the DOR demonstrated an electronic data base program that would benefit the Department of Livestock. Selling points were the DOR would fund and build the system for no cost and turn it over to the department where it would be managed internally by the Department of Livestock allowing a greater opportunity to conduct compliance. The electronic system would eliminate paper, time, and would conduct recording and billing at the same time.

Agency Discussion**Fiscal Management Issues**

The Legislative Audit Division completed a financial audit of the Department of Livestock in May of 2014. This audit raised issues that were in violation of constitutional or state law, including:

- Dispersing funds without charging an appropriation
- Errors in calculating the 2012 per capita fees
- Expending deferred brand revenues for current year operations

Though the Department concurred with the findings, there is no guaranteed corrections have been made until such time the Audit Division returns for a follow up review.

The issue with Per Capita fees raises concerns as it directly relates to the department's ability to appropriately fund programs within the department. Over time, the fund has been used to cover where other state special revenue funds were inconsistent, leading to excess pressures on the fund. Both the Legislative Finance Committee and the

Economic Affairs Interim Committee (EIAC) reviewed the issues during the interim. The EIAC reviewed structural and fiscal changes for the Department. That report is can be found at http://leg.mt.gov/content/Committees/Interim/2013-2014/Economic-Affairs/Meefings/July-2014/combined_livestock-options-A&B.pdf. This document would be a good starting point for the Legislature to discuss the ongoing issues with the department.

Finally, given the concern over the issues with the Department's fiscal management from members of the Legislature and the industry, the subcommittee may wish to consider zero base budgeting. This would start the budget at zero and establish a process for the department to provide information to the subcommittee to establish a balanced and sustainable budget for FY 2016 and FY 2017 without regard to historical patterns.

Agency Personal Services

5% Reduction Plan

The agency's pay rules called for raising everyone in the department and starting new employees at 90% of the 2006 market survey. The Department of Livestock is a fee based agency. According to the most current (June 2012) DOA agency pay comparison, the average hourly base wage of Livestock employees is 0.78 compared to 2012 Market Midpoints. The Department of Livestock's pay philosophy will be to raise current employees and start new employees to an appropriate level based on a percentage of the latest market survey. However, this is all contingent on funding.

Comparison of FY 2015 Legislative Base to FY 2015 Appropriation

The following table highlights the agency-wide differences between the FY 2015 appropriations as shown in the main table to the FY 2015 legislative appropriations used for purposes of the budget base.

FY 2015 Appropriation Transactions - Department of Livestock						
Program	Legislative Appropriation	Legislative Approps	House OTO Adjustment	Operating Plan	Total	Executive Implementation
01 CENTRALIZED SERVICES DIV	\$1,698,538					\$1,698,538
Personal Services	1,133,404					1,133,404
Operating Expenses	481,988					481,988
Equipment & Intangible Assets	7,149					7,149
Benefits & Claims	-					-
Transfers	75,997					75,997
03 DIAGNOSTIC LABORATORY	2,024,515		-	-		2,024,515
Personal Services	1,268,447					1,268,447
Operating Expenses	731,226		-	-		731,226
Debt Service	24,842					24,842
04 ANIMAL HEALTH DIVISION	1,495,356	506,413			-	2,001,769
Personal Services	887,466	133,245		(162,131)		858,580
Operating Expenses	607,890	373,168		(77,869)		903,189
Transfers				240,000		240,000
05 MILK & EGG PROGRAM	457,801				-	457,801
Personal Services	391,994					391,994
Operating Expenses	65,807					65,807
06 BRANDS ENFORCEMENT DIVISION	3,455,487					3,455,487
Personal Services	2,947,117					2,947,117
Operating Expenses	508,370					508,370
10 MEAT/POULTRY INSPECTION	1,306,193	47,594				1,353,787
Personal Services	997,885	38,125				1,036,010
Operating Expenses	308,308	9,469				317,777
Agency Total	\$10,437,890	\$554,007		-	-	\$10,991,897

Funding

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

Total Department of Livestock Funding by Source of Authority 2017 Biennium Budget - Department of Livestock						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	5,072,506	0	0	5,072,506	20.02 %	
State Special Total	15,883,582	0	852,636	16,736,218	66.05 %	
Federal Special Total	3,531,556	0	0	3,531,556	13.94 %	
Proprietary Total	0	0	0	0	0.00 %	
Other Total	0	0	0	0	0.00 %	
Total All Funds	\$24,487,644	\$0	\$852,636	\$25,340,280		
Percent - Total All Sources	96.64 %	0.00 %	3.36 %			

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. Increases in

general fund spending are mainly attributable to present law adjustments; costs associated with the brucellosis designated surveillance area (DSA), and funding for a DSA veterinarian and compliance specialist. A further discussion is included in the Animal Health Division.

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

State special revenue in the Department of Livestock is derived primarily from taxes and fees assessed to livestock owners on a per capita basis and accounts for 66% of the total budget. Three state special revenue funds comprise over 90% of state special revenue in the department. While two of the funds are used for specific activities, they are both supplemented by the primary funding state special revenue source, the per capita fee fund. Therefore, the fates of each of the accounts are intertwined and must be looked at in total. The following table shows the functions of the department and the related funding sources.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	1,029,423	1,029,423	2,058,846	40.59 %	10,437,890	10,437,890	20,875,780	85.25 %
PL Adjustments	112,257	113,171	225,428	4.44 %	1,014,014	988,271	2,002,285	8.18 %
New Proposals	1,394,322	1,393,910	2,788,232	54.97 %	826,711	782,868	1,609,579	6.57 %
Total Budget	\$2,536,002	\$2,536,504	\$5,072,506		\$12,278,615	\$12,209,029	\$24,487,644	