

THE DEPARTMENT OF AGRICULTURE

An Agency Profile Prepared by the
Legislative Fiscal Division

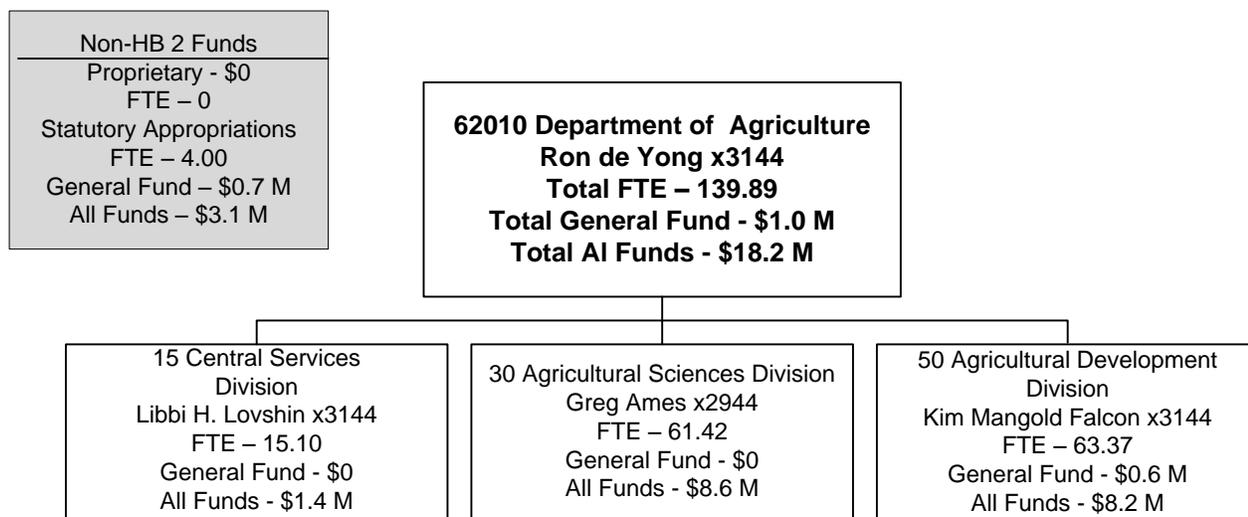
November, 2016



INTRODUCTION

The Department of Agriculture (Agriculture) regulates and promotes agriculture and associated industry in Montana. Agriculture is one of only two agencies required under the Montana Constitution and must “protect, enhance, and develop all agriculture” (Article XII, Section 1). Due to the existence of the Department of Livestock, Agriculture focuses primarily on non-animal related farm products.

Below is an organizational chart of Agriculture, including full-time equivalent (FTE) numbers and the HB 2 base general fund appropriations and the total of all funds. Unless otherwise noted, all phone extensions are preceded by (406) 444.

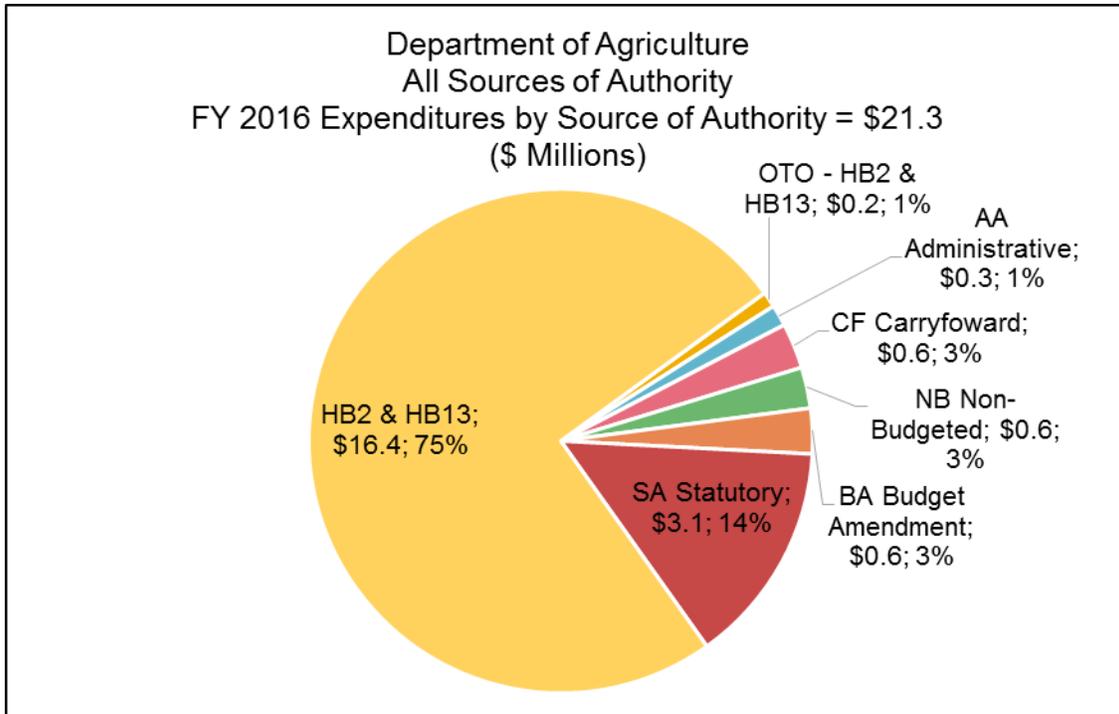


HOW SERVICES ARE PROVIDED

Three divisions form Agriculture and perform the following functions:

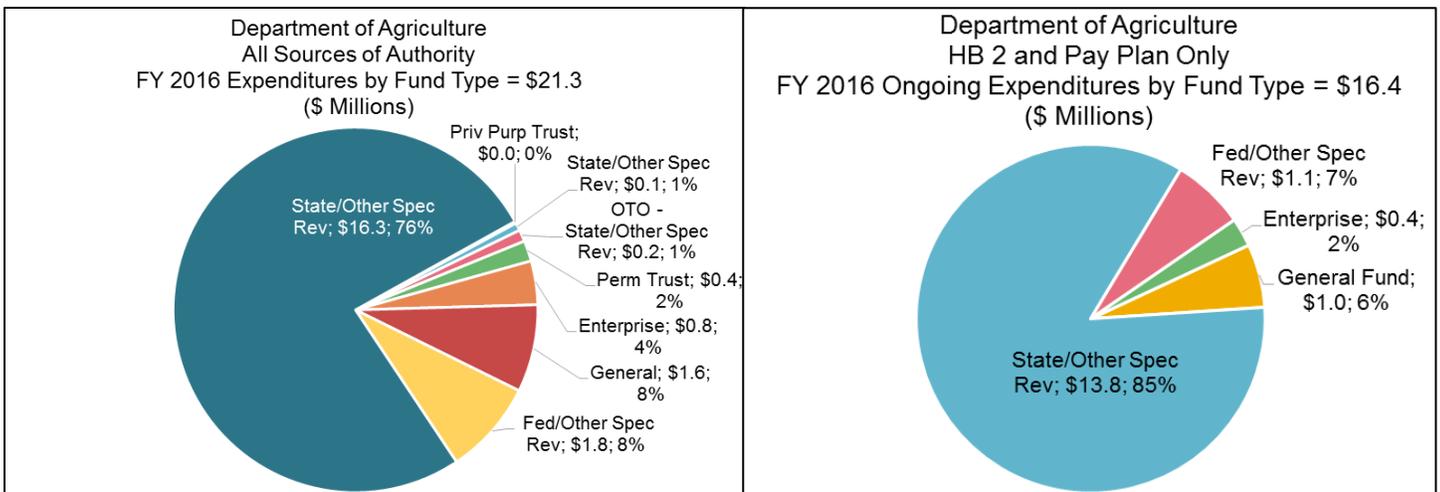
- The Central Services Division provides managerial and administrative support services to the entire department.
- The Agricultural Science Division regulates, certifies, researches, inspects, registers, and licenses items related to environmental and consumer protection in agriculture. The division also oversees grants to counties for noxious weeds.
- The Agricultural Development Division focuses on growth and expansion of Montana agriculture, including rural development, wheat and barley promotion, agriculture marketing, and the state grain laboratory.

SOURCES OF SPENDING AUTHORITY



The above chart shows the sources of authority for Agriculture that were expended in FY 2016.

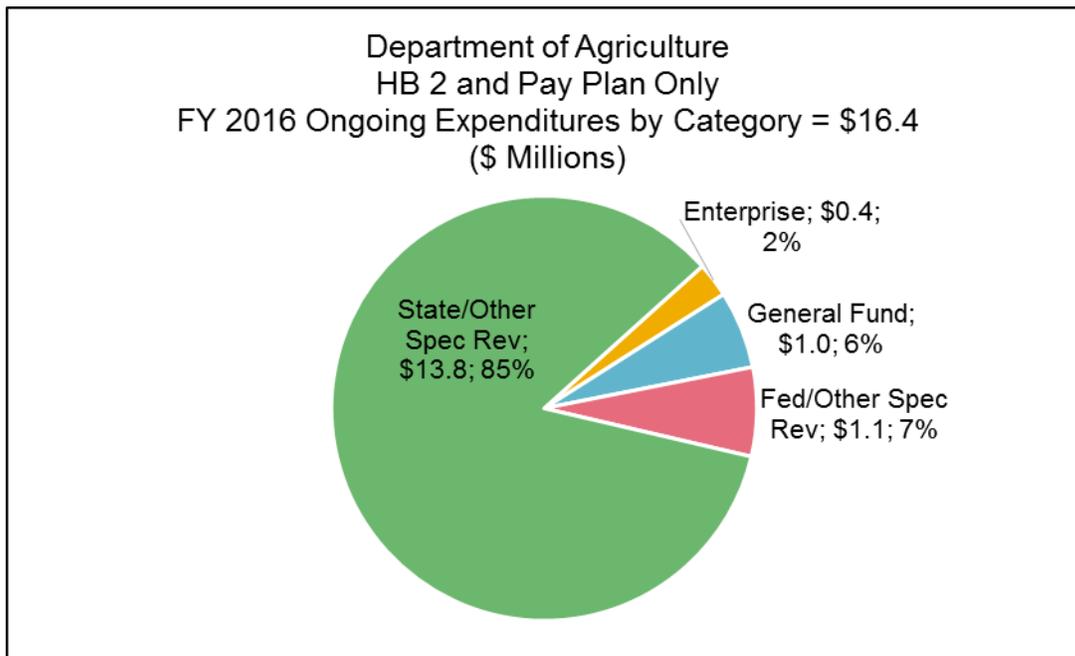
FUNDING



The chart on the left shows Agriculture's sources of its total funding authority. The chart on the right shows the agency's HB2 and pay plan funding authority by fund type.

EXPENDITURES

The next chart explains how the HB 2 authority is spent.



HOW THE 2017 LEGISLATURE CAN EFFECT CHANGE

In order to change Department of Agriculture expenditure levels and/or activity, the legislature must address one or more of the following basic elements that drive most department costs:

Grants and Loans

Due to the large amount of grant and loan financing, Agriculture's financial support has a major impact on overall expenditures. To influence agency activities in this area, the legislature could change:

- eligibility criteria
- preferences for projects
- minimum or maximum amounts for grants
- preference for loans or grants

Economic Development

A primary function of Agriculture is to administer programs that have an impact on expanding the agriculture economy. To influence agency activities in this area, the legislature could change:

- the objectives of economic development
- the number of support programs
- the targeted populations
- the type of businesses supported

Groundwater and Pesticide Management

Agriculture oversees the regulations on use of pesticides and fertilizers. To influence agency activities in this area, the legislature could change:

- the allowable levels of contamination requiring the development of a management plan
- the products or items regulated
- the educational programs or how they are delivered

Staffing Levels

Common to all agencies, any decisions that change FTE will have a direct and immediate impact on the ability to deliver services/functions by the department. Personal services costs will be a primary driver of total department costs. Factors that impact personal services costs include:

- Professional/technical/educational requirements of FTE job descriptions
- Cost of benefits
- Years of service or longevity

Major Cost Drivers

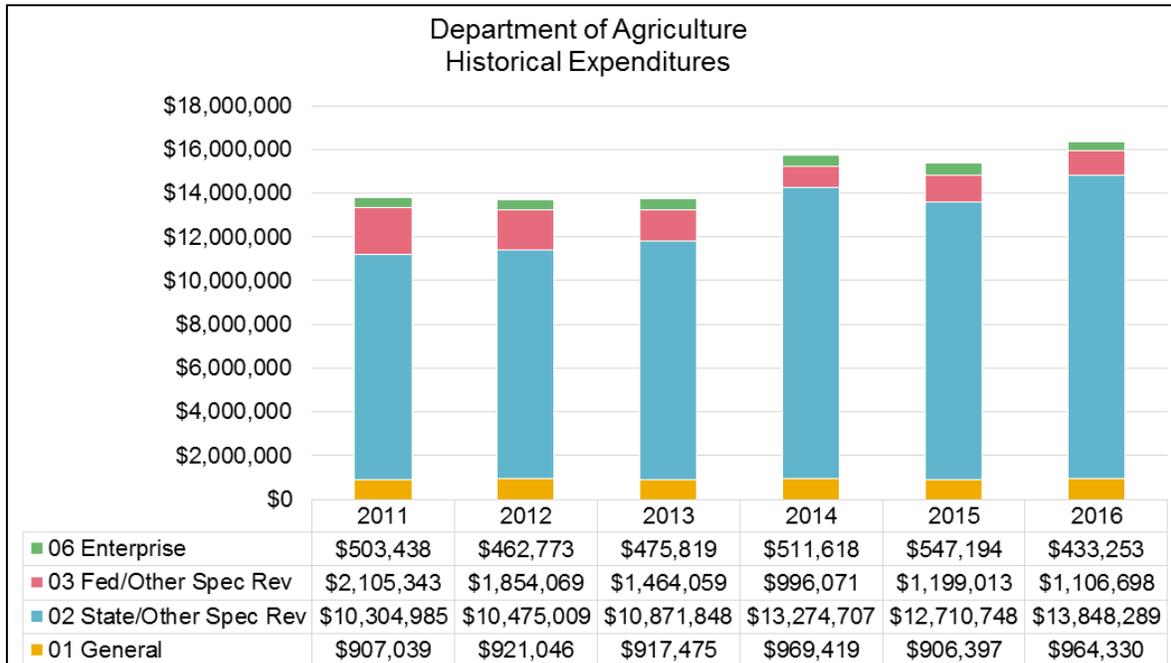
| Element | 2015 | 2016 | Significance of Data |
|---|--|--|---|
| Number/Dollar amount of Growth Through Agriculture Grants/Loans | \$592,063; 29 awards Average award = \$20,416 | \$599,169; 27 awards Average award = \$22,191 | Program scope, program demand, departmental workload |
| Number of samples processed at the State Grain Lab | 37,493 | 26,190 | Demand for service, external factors such as weather and commodity prices |
| Number of acres in agriculture production in Montana | 59.7 million (2014 statistic) | 59.7 million (2015 statistic) | Size of the agriculture economy, departmental workload |
| Number of farms/ranches in Montana | 27,800 (2014 statistic) | 27,500 (2015 statistic) | Size of the agriculture economy, departmental workload |

Agriculture has a large percentage of its budget devoted to fixed costs, including personal services. To impact these costs, the legislature would need to change statute.

Additionally, weather and commodity markets impact operations at Agriculture. Farmers and ranchers must react to weather conditions and base their business decisions on current and anticipated commodity prices. Those decisions directly impact not only their individual operations, but also the services they require from Agriculture – thus creating variability in both revenues received and the types of expenditures necessary to meet department objectives.

FUNDING/EXPENDITURE HISTORY, AUTHORITY USED TO ESTABLISH THE BASE BUDGET

The following chart shows the historical change in the department's base budget authority.



MAJOR LEGISLATIVE CHANGES IN THE LAST 10 YEARS

2015 Session

- SB 78 eliminated the Mint Committee and the need for the department to administratively support it.
- HB 105 allowed the department to set fees for analytic lab services. Fees collected are placed in a state special revenue fund for the costs of the services.

2013 Session

- HB 189 increased the maximum amount of hail insurance per acre of crops and would be phased in by the Department of Agriculture over two years. The legislation reduced the collection fee percentage paid to the Department of Revenue and capped the transfer to the general fund.
- SB 144 changed the amount the department may spend to manage the noxious weed management program. This reduced the amount spent on department-based programs and increased the amount distributed as grants.

2011 Session

- HB 621 revised the Aquatic Invasive Species act, and provided funding to the department.

2009 Session

- SB 343 established the Montana Aquatic Invasive Species Act, requiring the department to establish a mechanism for Montana to take concerted action to detect, control, and manage invasive species to prevent further introduction, importation, and infestation.

For further information, please visit: <http://agr.mt.gov/>