

Agency Budget Comparison

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

Agency Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	140.75	140.75	142.72	142.72	140.75	142.72	1.97	1.40%
Estimated Impact of HB 2*			(5.79)	(5.79)		(5.79)	(5.79)	
Net Estimated FTE*			136.93	136.93		136.93	(3.82)	
Equipment & Intangible Assets	7,149	62,689	7,149	7,149	69,838	14,298	(55,540)	(79.53%)
Benefits & Claims	0	0	0	0	0	0	0	n/a
Transfers	75,997	0	75,997	75,997	75,997	151,994	75,997	100.00%
Debt Service	24,842	25,000	24,842	24,842	49,842	49,684	(158)	(0.32%)
Total Costs	\$9,920,944	\$10,457,364	\$10,562,684	\$10,517,446	\$20,378,308	\$21,080,130	\$701,822	3.44%
General Fund	986,083	991,064	1,507,983	1,497,575	1,977,147	3,005,558	1,028,411	52.01%
State Special	7,569,126	7,977,812	7,657,822	7,629,303	15,546,938	15,287,125	(259,813)	(1.67%)
Federal Special	1,365,735	1,488,488	1,396,879	1,390,568	2,854,223	2,787,447	(66,776)	(2.34%)
Total Funds	\$9,920,944	\$10,457,364	\$10,562,684	\$10,517,446	\$20,378,308	\$21,080,130	\$701,822	3.44%

*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the following pages.

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 until FY 2014 the Board of Horse Racing.

The department is organized into six divisions: Centralized Services, Diagnostic Laboratory, Animal Health, Milk and Egg, Brands Enforcement, 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"> ◆ Major initiatives funded by the legislature are: <ul style="list-style-type: none"> ● Brucellosis surveillance ● Maintaining the animal health system ◆ General fund increases by 52.01% over the biennium primarily due to the brucellosis surveillance program, DSA veterinarian and compliance specialist funding, and animal health system network support fees ◆ State special revenue decreases over the biennium due to fully funding the brucellosis surveillance program from general fund ◆ The agency did not provide pay plan pay increases during the 2013 biennium

Summary of Legislative Action

Total funding for the department increases by 3.44% compared to the 2013 biennium, with general fund increases of 52.01%, state special revenue decreases of 1.67%, and federal funds decreases of 2.34%.

General fund expenditures increase as a result of the following:

- Statewide present law adjustments
- Brucellosis surveillance, including a Brucellosis Vet and Compliance Specialist approved on a one-time-only basis totaling \$1.0 million for the biennium

State special revenues decrease due to:

- Brucellosis surveillance and a Brucellosis Vet and Compliance Specialist being funded fully by general fund, while FY 2013 includes funding for this purpose from state special revenue

The legislature had approved \$250,000 each year of the biennium from the coal bed methane account for predator control of the grizzly bear. The Governor vetoed this decision package.

Boilerplate

The boilerplate section in HB 2 includes the following language:

“It is the intent of the legislature that the appropriations for personal services contained in this bill for fiscal year 2014 and fiscal year 2015, except for the reductions contained in decision packages that remove an additional vacancy savings amount, are supported by only the number of FTE that are funded. It is the intent of the legislature that this net level of FTE is the level that will be used to calculate personal services funding in the next biennium.”

The LFD has calculated that this intent language would reduce the current biennium base FTE by 440 statewide and by 5.79 for this agency. The lower level of FTE will be the starting point or base the legislature will use for personal services budget deliberations in the 2017 biennium.

Funding

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

Total Department Of Livestock Funding by Source of Authority 2015 Biennium Budget					
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	\$3,005,558	\$0	\$0	\$3,005,558	13.3%
State Special Total	15,287,125	-	1,469,766	16,756,891	74.3%
Federal Special Total	2,787,447	-	-	2,787,447	12.4%
Proprietary Total	-	-	-	-	0.0%
Current Unrestricted	-	-	-	-	0.0%
Other Total	-	-	-	-	0.0%
Total All Funds	\$21,080,130	\$0	\$1,469,766	\$22,549,896	
Percent - Total All Sources	93.5%	0.0%	6.5%		

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 legislative approved budget contains a 52.01% increase in general fund from the 2013 biennium. The increase is mainly attributable to present law adjustments, costs associated with the brucellosis designated surveillance area (DSA), and

funding for a DSA veterinarian and compliance specialist. 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.

Funds Status

Animal Health Fund

Fund Balance

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

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

As shown, the account is projected to be negative at the end of FY 2013 if all appropriations are expended, even with no support provided to the Central Services Division. While the legislature approved a reduction in expenditures for the 2015 biennium from the FY 2013 appropriated level, the account remains structurally unbalanced. Therefore, if the department is to expend the entire appropriation, additional revenues will have to be generated. Lab fees were last adjusted in 2007.

Livestock Per Capita Fee Fund

Fund Balance

The livestock per capita fund is the largest state special revenue fund supporting this agency and supports animal health functions in the Animal Health Division and the Diagnostic Laboratory, predator control, the Centralized Services Division, and a portion of the Brand Enforcement Division. Per capita revenue is derived by taxation on the ownership of livestock and interest earnings on the fund balance, with fees set by the Board of Livestock annually. The following table shows the revenues to and actual and approved expenditures from the fund through the 2015 biennium. Estimated revenues reflect recent increases in revenues adopted by the board. While the legislature approved a reduction in expenditures for the 2015 biennium from the FY 2013 appropriated level. The fund continues to supplement other state special revenue funds and is supplemented by general fund, so unless the reduction in expenditures continues or fees are raised, the fund will be structurally imbalanced in the near future.

Revenues

The Board of Livestock annually evaluates a number of factors to determine if and how much the per capita tax rate should change. The change is limited in statute (15-24-922, MCA) to 110% of the average of the past three years less a reasonable nonpayment rate. The board increased the per capita fee in FY 2012 and again in FY

Department of Livestock Per Capita Fund				
	Actual FY 2012	Appropriated FY 2013	Legislative FY 2014	Approved FY 2015
Beginning Balance	\$1,097,858	\$871,362	\$981,337	\$1,102,968
Revenues	\$4,028,207	\$4,336,485	\$4,336,485	\$4,336,485
<u>Expenditures</u>				
Central Services	\$1,680,742	\$1,542,588	\$1,270,575	\$1,226,381
Laboratory	551,252	564,700	689,701	588,912
Animal Health	871,942	973,357	649,848	649,887
Milk & Egg	1,695	0	0	0
Brands	1,149,072	1,145,865	1,604,730	1,564,223
Meat & Poultry	0	0	0	0
Total Expenditures	<u>\$4,254,703</u>	<u>\$4,226,510</u>	<u>\$4,214,854</u>	<u>\$4,029,403</u>
Ending Fund Balance	<u>\$871,362</u>	<u>\$981,337</u>	<u>\$1,102,968</u>	<u>\$1,410,050</u>

2013. Increased revenues totaled about \$310,400 in FY 2012 and \$308,278 in FY 2013. The approved budget assumes stagnant revenues for the 2015 biennium.

Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	986,083	986,083	1,972,166	65.62%	9,920,944	9,920,944	19,841,888	94.13%
Statewide PL Adjustments	(13,433)	(11,903)	(25,336)	(0.84%)	378,702	348,295	726,997	3.45%
Other PL Adjustments	27,212	15,487	42,699	1.42%	(11,747)	(22,872)	(34,619)	(0.16%)
New Proposals	508,121	507,908	1,016,029	33.81%	274,785	271,079	545,864	2.59%
Total Budget	\$1,507,983	\$1,497,575	\$3,005,558		\$10,562,684	\$10,517,446	\$21,080,130	

Other Legislation

HB 13 - The legislature approved funding for a pay plan for state employees. The bill includes a lump sum appropriation for pay raises that will be determined for their respective employees by the executive, legislative, and judicial branches as well as the Montana University System. The bill also includes funding for a 10% insurance increase for all employees each year. The legislature did not specify a particular percentage salary increase a state employee should receive, but stipulated that the appropriated funds must be used to increase the base pay of each employee, with particular attention to the lower pay bands and employees who did not receive an increase in the 2013 biennium.

SB 21 - This bill moves the administratively attached Board of Horse Racing from the Department of Livestock (DOL) to the Department of Commerce. The Board of Horse Racing is funded with state special revenue. The bill specifies that any enactment of the 2013 Legislature that references the Board of Horse Racing as part of the Department of Livestock must be changed to reflect the Department of Commerce.

Executive Budget Comparison

The following table compares the legislative budget in the 2015 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Budget Item	Base Budget Fiscal 2012	Executive Budget Fiscal 2014	Legislative Budget Fiscal 2014	Leg - Exec. Difference Fiscal 2014	Executive Budget Fiscal 2015	Legislative Budget Fiscal 2015	Leg - Exec. Difference Fiscal 2015	Biennium Difference Fiscal 14-15
FTE	140.75	134.01	142.72	8.71	134.01	142.72	8.71	
Estimated Impact of HB 2*			(5.79)	(5.79)		(5.79)	(5.79)	
Net Estimated FTE*			136.93	(2.92)		136.93	(2.92)	
Personal Services	6,855,799	7,074,414	7,267,726	193,312	7,079,424	7,272,183	192,759	386,071
Operating Expenses	2,957,157	3,179,702	3,186,970	7,268	3,129,966	3,137,275	7,309	14,577
Equipment & Intangible Assets	7,149	7,149	7,149	0	7,149	7,149	0	0
Benefits & Claims	0	0	0	0	0	0	0	0
Transfers	75,997	75,997	75,997	0	75,997	75,997	0	0
Debt Service	24,842	24,842	24,842	0	24,842	24,842	0	0
Total Costs	\$9,920,944	\$10,362,104	\$10,562,684	\$200,580	\$10,317,378	\$10,517,446	\$200,068	\$400,648
General Fund	986,083	1,526,113	1,507,983	(18,130)	1,515,716	1,497,575	(18,141)	(36,271)
State/Other Special	7,569,126	7,422,493	7,657,822	235,329	7,394,464	7,629,303	234,839	470,168
Federal Special	1,365,735	1,413,498	1,396,879	(16,619)	1,407,198	1,390,568	(16,630)	(33,249)
Total Funds	\$9,920,944	\$10,362,104	\$10,562,684	\$200,580	\$10,317,378	\$10,517,446	\$200,068	\$400,648

*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the previous pages.

The legislatively approved budget is just over \$0.4 million higher than the executive request because the legislature did not approve a proposed reduction in the Brands Enforcement Division, which would have decreased the budget by

\$700,000 and 8.71 FTE. The 2% additional vacancy savings reduction applied statewide partially offset this increase.

Language and Statutory Authority

The legislature included the following language in HB 2.

“Centralized Services Program includes a reduction in state special revenue of \$116,334 in fiscal year 2014 and \$116,408 in fiscal year 2015. Meat and Poultry Inspection Program includes a reduction in general fund of \$18,130 in fiscal year 2014 and \$18,141 in fiscal year 2015 and federal special revenue of \$16,619 in fiscal year 2014 and \$16,630 in fiscal year 2015. The reduction is the equivalent of an additional 2% vacancy savings. The agency may allocate this reduction in funding among programs when developing 2015 biennium operating plans.”