

The Legislative Fiscal Division Presents an Agency Profile of: The Department of Livestock

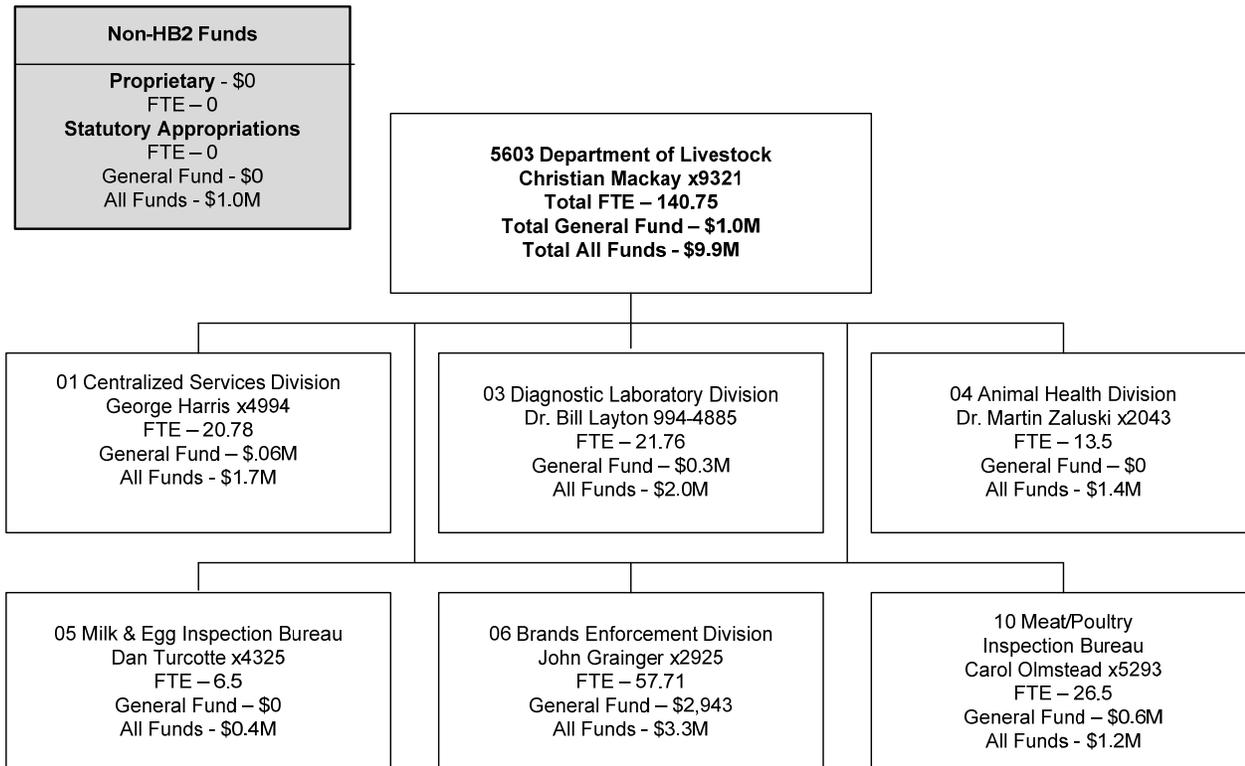
Contact: Contact: Christina Butler, Fiscal Analyst
Rm. 110 H, State Capitol Building
Phone: (406) 444-4581, e-mail: christinabutler@mt.gov

Updated December 2012

Agency Description

Definition of Terms

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 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.



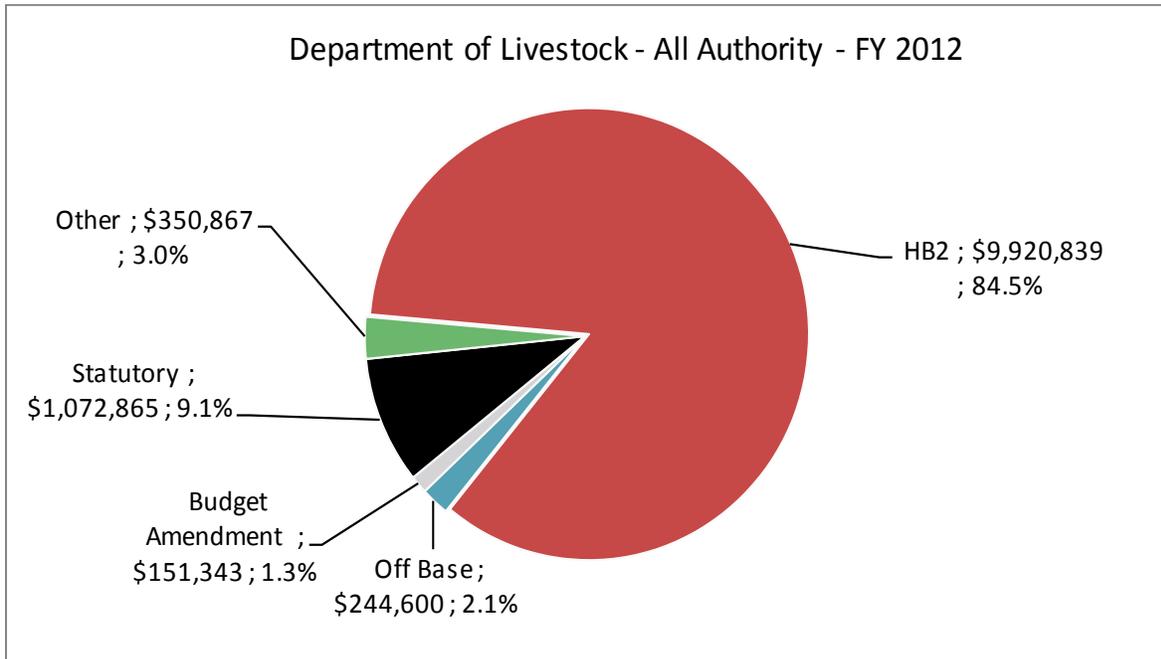
How Services are Provided

The Department of Livestock consists of six divisions with the following functions:

- **Centralized Services Division** provides budget, accounting, and other administrative functions to support department operations and administratively attached boards, and leadership through the Board of Livestock. The Predator Control Program provides protection from certain types of predators that threaten domestic livestock and may endanger human safety. 20.78 FTE are assigned to both functions.
- **Diagnostic Laboratory Division** provides veterinary lab testing and services to producers, veterinarians, animal owners, and other department divisions, as well as some public health related testing for other government entities (e.g. rabies, West Nile virus). 21.76 FTE are assigned to this function.
- **Animal Health Division** safeguards health and food production capacity of Montana's animals and poultry through prevention, diagnosis, control, and eradication of animal disease. This function has an assigned staff of 16.01 FTE.
- **Milk and Egg Division** ensures that eggs, milk, and milk products sold or manufactured in Montana are fit for human consumption, through licensing, sampling, laboratory testing, and product and site inspections, done in cooperation with other state and federal agencies. 6.50 FTE are assigned to this function.
- **Brands Enforcement Division** provides professional law enforcement and investigative work to track livestock ownership, and record and inspect livestock brands. This work is managed by 57.21 FTE.
- **Meat and Poultry Inspection Division** 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. 20.50 FTE are assigned to this function.

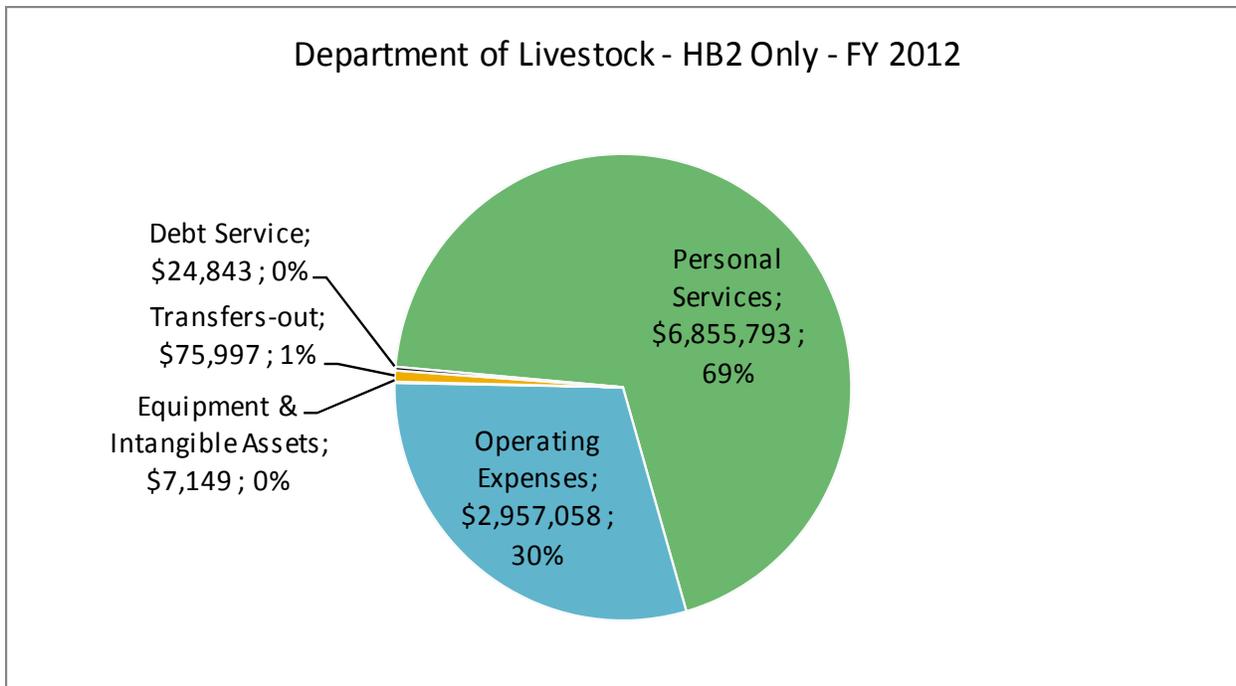
Sources of Spending Authority

The chart at the top of the next page shows the sources of authority for the Department of Livestock. The accounting term, off base, refers to one-time-only spending and non-budgeted items like inventory adjustments. Other legislative appropriations (sometimes called cat and dog bills) are included in the above categories as appropriate. For a more detailed description of accounting terminology, please refer to the definition of terms.



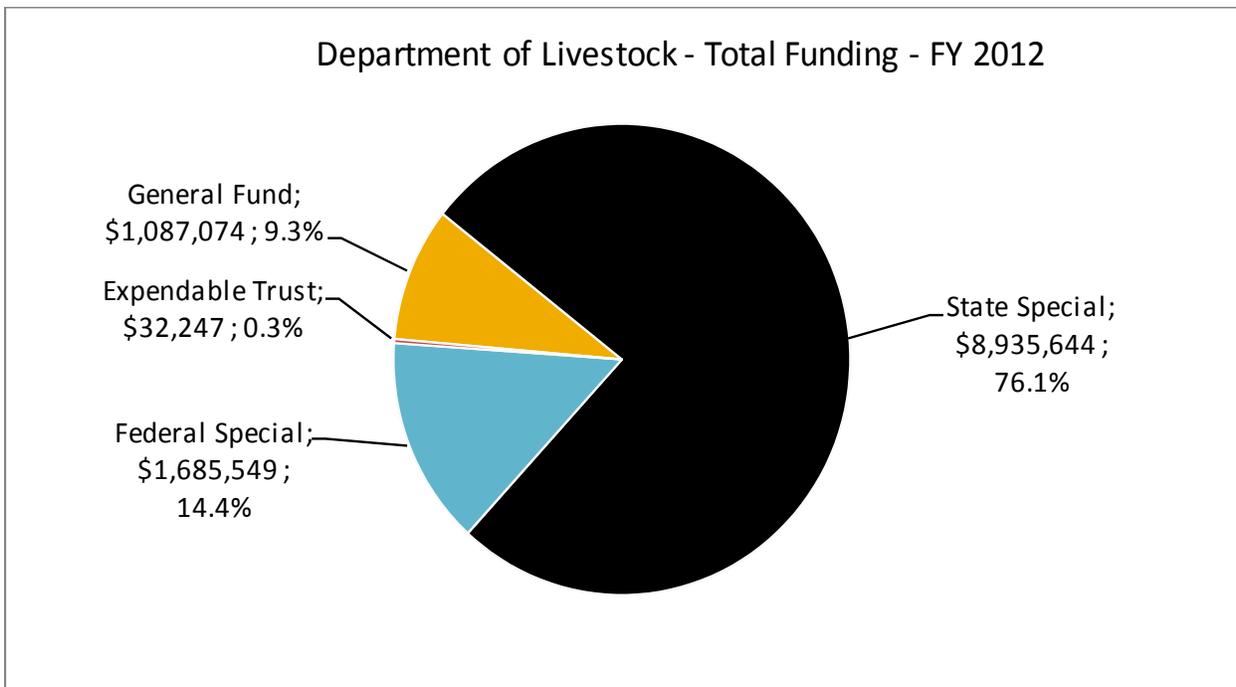
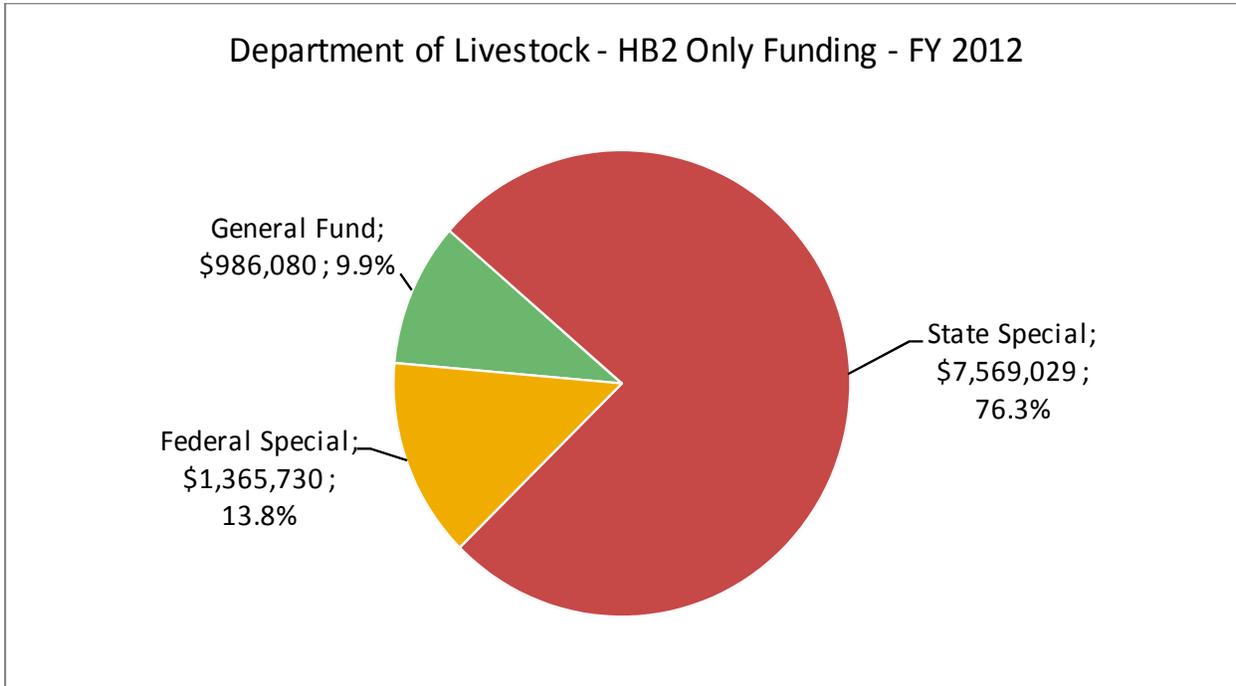
Expenditures

This chart explains how the HB 2 authority is spent. This chart matches the agency chart found in the 2015 Budget Analysis.



Funding

The following charts show the agency's HB 2 funding authority by fund type and all sources of its total funding authority.



How the 2013 Legislature Can Effect Change

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

- Inspection regulations—although most livestock inspections (meat, poultry, milk, eggs, etc.) are defined by federal regulation (USDA and FDA), the State of Montana could develop inspection regulations and requirements. The number of facilities (slaughterhouses and meat processing plants) and the number of animals to be inspected are the multipliers for the regulations themselves. Although these numbers are beyond some level of control (a function of the livestock economy and animal raising conditions), regulation can also address the percent of animals that are to be inspected and the frequency of inspecting processing facilities.
- Brands enforcement and animal health—the commerce and movement (interstate, intrastate and international) of livestock is regulated and controlled by brands (for economic and animal health reasons), with state FTE charged with monitoring that commerce. Expenditure levels can be changed based upon changing policies related to ensuring livestock transactions occur in accordance with regulations as well as in accordance with animal disease control methods. Also, new or emerging animal health issues may require new surveillance and inspection regulations (e.g. Brucellosis, BSE [mad cow disease] and avian flu).
- Predator control—these activities are driven by the definition of which animals are predators and what means are used to kill/control these animals (e.g. a hunting season, helicopter patrols, etc.).
- Bison management—although this program is funded by federal special revenue, the costs of the program are related to the state decision that bison from Yellowstone National Park pose a brucellosis threat to the state cattle industry.
- General fund expenditures—in the Department of Livestock, general fund is used to support meat/poultry inspections, brucellosis testing supplies, and some public health testing in the diagnostic laboratory.
- The USDA funded inspection program requires a 50/50 general fund match, so this general fund expenditure is a factor of federal regulation and not readily subject to state influence.
- Public health testing in the diagnostic veterinary laboratory is primarily rabies and west Nile virus, so this general fund expenditure is a function of state policy on control and eradication of these diseases.

The legislature can evaluate the amount that fees are set at statutorily for the per capita fee, inspection fees, milk and egg grading, and lab fees to increase state special funds revenue, and that funding could then replace general fund.

Major Cost Drivers

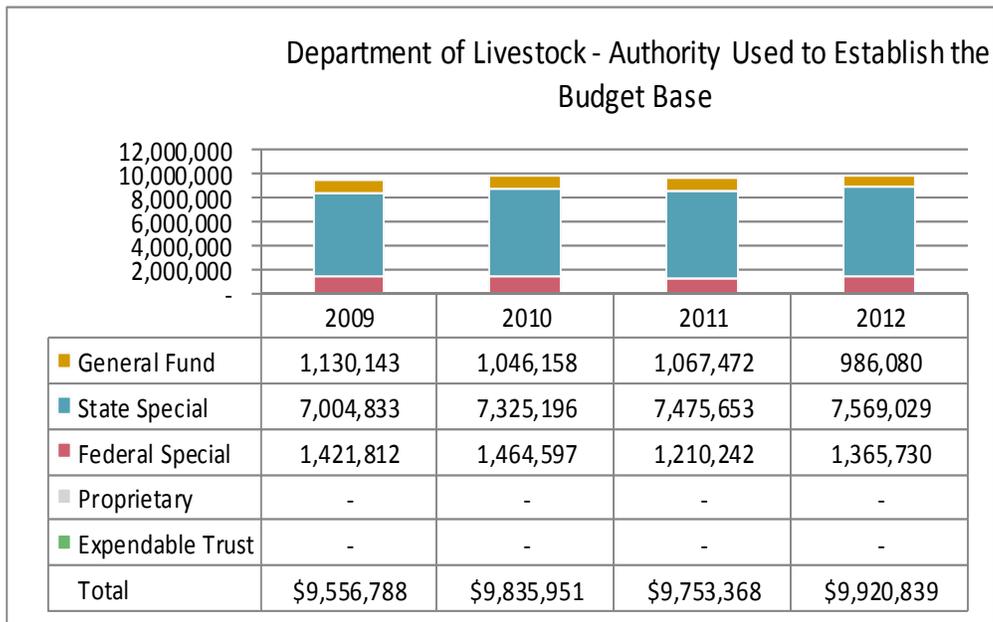
| <i>Element</i> | <i>2010</i> | <i>2012</i> | <i>Significance of Data</i> |
|---|--------------------|--------------------|---|
| Number of cattle in MT | 1,771,102 | 1,794,744 | Per capita fees are primary revenue |
| Number of brands recorded | 53,172 | 46,685 | Primary workload and revenue for major division |
| Number of cattle inspected at market | 628,861 CY 2010 | 585,637 CY 2011 | Workload for brand inspectors |
| Number of cattle inspected by MDOL outside of markets | 187,779 | 231,000 | Workload for brand inspectors |
| Number of licensed milk producers | 71 | 69 | Dictates level of inspections needed |
| Number of dairy inspections | 530 | 550 | Workload for milk/egg inspection functions |
| Number of lab test performed | 260,207 | 278,122 | Workload and demand for diagnostic laboratory |
| Egg Inspections | 222 | 169 | Workload for milk/egg inspection functions *Outside of Great Falls Inspection Plant |
| Number of bison incidents | 134 | 29 | Workload for bison management functions |
| Number of horse tracks | 6 | 1 | Workload for horse racing regulation |
| Quantity of milk sold | 282,068,61 lbs | 281,807,338 lbs | Workload for milk control functions |

In addition to the factors above, a number of factors common to many agencies will also impact changes in expenditures over time.

State FTE - state employees perform many of the functions of the Department of Agriculture. Any decisions that change FTE will have a direct and immediate impact on the ability to deliver services/functions by the department. Since personal service costs account for 33 percent of on-budget expenditures, these costs will be a primary driver of total department costs. Factors affecting personal service costs include:

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

Funding/Expenditure History



The table shows the historical changes in the department's base budget authority. As shown, funding has been fairly stable over the period, with state special revenue assuming a greater share of overall funding.

The agency has also been appropriated several OTO appropriation from the general fund for horse racing and brucellosis monitoring over the last four years that do not appear in the chart.

Major Legislative Changes in the Last Ten Years

Brucellosis

- The 2011 Legislature approved 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.
- The 2011 Legislature approved a reduction of \$278,770 as a result of a request from the agency to reduce the costs associated with the Brucellosis Designated Surveillance Area (DSA).
- The 2011 Legislature approved funding for the Brucellosis Action Plan (BAP). The BAP was funded in two parts. Immediate, short term costs of \$2.4 million general fund were approved in HB 3 for the 2009 calendar year. The ongoing testing and surveillance activities were funded in HB 2, including \$0.5 million general fund and \$678,400 in livestock per capita fees for the 2011 biennium. The legislature approved the general fund portion as one-time-only in order to re-evaluate the need for general fund for the 2013 biennium.

Major Legislative Changes in the Last Ten Years, cont.

Predator Control

- The 2011 Legislature passed HB 622, which transferred and statutorily appropriated money for use in predator control and for reimbursement of livestock owners for predatory loss. \$200,000 general fund is provided for livestock predation reimbursement in each fiscal year, while \$350,000 is provided each fiscal year for predator control from the livestock per capita state special fund. Both transfers establish accounts that are allowed to carry over any unused balance into following fiscal years. This action sunsets June 30, 2017.

Horseracing

- The 2011 Legislature passed SB 16, which placed authority with the Board of Horse Racing to enter into contracts to provide simulcast racing through a simulcast paramutuel network and provides a statutory appropriation for the Board of Horse Racing to utilize funds raised through these contracts.

The 2007 Legislature made several changes:

- Included \$350,000 state general fund for a biennial, one-time-only appropriation in the 2009 biennium for the Board of Horse Racing. The infusion of state funds into the Board of Horse Racing will be used to pay a portion of the regulatory costs, primarily salaries for race track officials, which have been paid in the past by those tracks putting on the event
- Authorized the Board of Livestock to conduct and supervise advance deposit wagering for horseracing by internet or phone (HB 390). Spending authority for the revenue generated from HB 390 is included in HB 2
- Created revenue for the Board of Horse Racing state special revenue account through pari-mutuel wagering on fantasy sports leagues (HB 616). Administrative costs are included in HB 2. HB 616 limits administrative costs to no more than 10 percent of the amount collected. The remaining portion is statutorily appropriated to the Board of Horse Racing for distribution to live race purses and for other purposes the Board considers appropriate for the good of the existing horseracing industry

For further information, you may wish to contact the agency at:

Department of Livestock

301 North Roberts

P.O. Box 202001

Helena, MT 59620-2001

Phone: (406) 444-9431

webpage: <http://liv.mt.gov/default.mcp>