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**For the Economic Affairs Interim Committee**

Department Head: 7-member Board of Livestock (appointed by governor with Senate approval)

Mike Honeycutt, Executive Officer (appointed by Board of Livestock)

**Description and Responsibilities:**

- Seeks to control or eradicate animal diseases and prevent transmission of animal diseases to humans.
- Protects livestock industry from theft and predatory animals.
- Inspects and regulates meat, milk, and eggs.

**Administratively Attached Entities:**

- Livestock Loss Board, established in 2007, under 2-15-3110, MCA. Five-member board with 3 members actively involved in the livestock industry and with knowledge and experience of wildlife impacts or management and 2 general public members involved in wildlife conservation or management and with knowledge of livestock production or management.
- Board of Milk Control, established as a stand-alone board in 1935, then attached administratively to a department in 1971 under 2-15-3105, MCA, and assigned to the Department of Livestock in 1995. Five-member board, with no member involved in producing, processing, distributing, wholesaling, or retailing milk or dairy products.
- Livestock Crimestoppers Commission, established in 1983 under 2-5-3104, MCA. Five-member board, appointed by the Board of Livestock presiding officer. Members include the administrator of the brands enforcement division (or a designee), a member of the Board of Livestock (or a designee), a law enforcement official, and two members of the public appointed at large. No per diem is paid, according to the former executive officer. Meetings are every 6 months to review tips that are reported to a 1-800 number.

**Legislative Audits:**

- Performance audit of the [Montana Veterinary Diagnostic Laboratory](#) reported in May 2016. The audit noted that the laboratory did not maintain a regularly updated accounting of the costs incurred for a majority of its testing services. Nor, the audit said, was there a recurring, standard process in place for reviewing fees charged for testing, in particular those tests related to public health. The audit said the department and the laboratory could do more to stabilize the laboratory's budget and to plan for next steps for the future of testing because the facility is near the end of its useful life. The department concurred on all the recommendations.
- Performance audit of [Brucellosis Management in the State of Montana](#), reported January 2017. This audit included both the Department of Livestock and the Department of Fish, Wildlife, and Parks. Recommendations for the Department of Livestock included: improving oversight of brucellosis testing requirements, expanding documentation of certain brucellosis vaccination payments, using the Interagency Bison Management Plan adaptive management guidelines when lethally removing bison, and clearly documenting the need for lethal removal. The Department of Livestock concurred with the recommendations.
- [Financial-Compliance Audit](#) reported in April 2016 for the two fiscal years ending June 30, 2015. The audit had three recommendations regarding compliance with state law and accounting policies. These related to the recording and use of per capita fees related to a personal services settlement, the calculation of deferred revenue related to brands, and the recording of revenues related to stray animals. The department did not concur with the use of the per capita fees in the personal services settlement but concurred with the other two items. The settlement was a one-time event, not expected

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to be repeated.

- [Financial-Compliance Audit](#), May 2014, for two fiscal years ending June 30, 2013. The report had three recommendations specific to the Department of Livestock finances: issuing payments only upon an appropriation made by law, setting livestock per capita fees, and using deferred revenues (from brand re-recording that takes place every 10 years) to fund current year operations.
- [Recording of Livestock Brand Ownership](#), performance audit reported February 2010. The audit recommended: developing detailed policies and procedures for brand-related activities, establishing and reevaluating file documentation requirements and forms related to the documentation, tracking the number of brands recorded, brand owners with recorded brands, security interests recorded, and whether files require further action, strengthening cash management controls, ensuring division fees are commensurate with costs and maintaining appropriate records to show fees are commensurate with costs, ensuring that brands are rerecorded in the designated rerecord year, and analyzing whether a different brand rerecord cycle would better meet the livestock industry's needs. The department agreed with all the recommendations.

**Agency Bills Passed During 2017 Session:**

- [SB 41](#) - Brought at the request of the Livestock Loss Board. Revised grant terms to allow proactive prevention measures generally (removed language specifying examples due to concern the examples would be seen as the only options eligible for funding). Effective October 1, 2017.

**Agency Bills That Failed During 2017 Session:**

- None

**Significant Non-Agency Bills During 2017 Session:**

*The following bills were passed and became law:*

- [HB 256](#) - Revises and expands definition of legal fences that are electric fences. Effective October 1, 2017.
- [HB 286](#) - Includes mountain lions as predators whose kills are eligible for Livestock Loss Board payments and prioritizes payments for kills by grizzly bears and wolves ahead of mountain lions. Effective October 1, 2017.
- [HB 305](#) - Lets county commissioners set bounty amounts on predatory animals after petition from owners of 51% or more of livestock in that county. Also lets the commissioners appoint bounty inspectors and defines predatory animals as those listed in 81-7-112, excluding species managed or protected under Title 87. Repeals statute that listed bounty amounts. Effective October 1, 2017.
- [HB 338](#) - Revises livestock loss transport permits to allow livestock owner to transport across more than one county if land is allow owned by the livestock owner. Previously the transport permit specified movement was to be across adjoining county line. Effective October 1, 2017.
- [HB 342](#) - Adds agritourism to list of inherent risk activities and defines agritourism as a form of commercial enterprise intended to attract visitors to a farm, ranch or other agricultural business for the purposes of education or entertainment. Effective March 31, 2017.
- [HB 345](#) - Classifies honey bees as livestock for per capita fee purposes. Effective October 1, 2017.
- [HB 377](#) - Requires Board of Milk Control to adopt rules related to how manufactured dairy product fees are calculated. Effective October 1, 2017.
- [HB 648](#) - Establishes an enterprise fund for fees charged by the Montana Veterinary Diagnostic Laboratory and a state special revenue account for animal health for nonlaboratory fees related to animal health. Effective July 1, 2017.
- [SB 41](#) - See above under Agency Bills that passed.
- [SB 73](#) - Revises laws related to statutory appropriations for the Livestock Loss Board, including

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extension of the termination date for statutory appropriations to June 30, 2023. The bill was effective May 4, 2017.

- [SB 157](#) - Clarifies the definition of "dairy" as being a hoofed mammal, not just cows or goats. Effective October 1, 2017.
- [SJ 19](#) - Requests the U.S. Department of Agriculture and the Centers for Disease Control to reconsider appropriateness of listing brucella abortus as a potential bioterrorism agent to improve research options for a vaccine.

**Economic Affairs Interim Committee Areas of Interest:**

- Budgetary issues have been a main interest since the 2013-2014 interim. Last interim HB 2 had a directive for the Department of Livestock to report after each fiscal year begins to the Economic Affairs Interim Committee on the department's structural balance. Conditions have improved but may still need monitoring.
- The National Meat Inspection Services in the U.S. Department of Agriculture audited the state's meat inspection program, which is responsible for operating at the same level as federal meat inspectors do. As a result of the audit, certain Montana operations were found to have problems. The repercussions have included recalls of products and appeals that now are going before the Board of Livestock. At a teleconferenced Board of Livestock meeting in August 2017, the executive officer of the Board of Livestock told those on the phone that the Economic Affairs Interim Committee, which monitors the Department of Livestock, would be meeting in September and hearing about this issue. At an Aug. 30 meeting of the Board of Livestock, the Board created a committee to look into discrepancies that arose in relation to the meat inspection audits. An article from the *Western Ag Reporter* outlines some of the concerns associated with the recalls.
- Rangeland fires in northcentral Montana have devastated ranches and the livestock industry in that area. While neighbors and volunteers have worked to stave off economic crisis, the state may need to be aware of options for regulatory relief or assistance. More than 270,000 acres burned along Highway 200 from Jordan to Winnett with an estimated 1,400 miles of fences destroyed and power poles burned, according to the *Western Ag Reporter*. At least 16 homes burned and many buildings were destroyed. In efforts to save livestock, fences were cut, but rounding up the livestock is taking time.
- Brucellosis remains a concern. Since 2009-2010, the Economic Affairs Committee has monitored the department's use of a designated surveillance area to help control brucellosis in cattle.

**Budget**

Under House Bill 2, the Economic Affairs Committee was required in the 2015-2016 interim to hear, after the start of each fiscal year, about the condition of the Department of Livestock's structural balance, basically whether the money coming in is adequate for expenditures. This report has an update on the budget as compiled by the department.

NEW - The budget reductions envisioned under the Governor's directive for a 10% cut would mean an estimated \$9,200 to \$9,300 loss each fiscal year for the Centralized Services Division and \$246,000 to nearly \$247,000 each fiscal year from the Animal Health Division.

In reviewing the budgets below, the following information is pertinent:

- Funding sources as pertains to the individual divisions or programs in the "State Special," include per capita fees, brand inspection fees, milk assessments, brand recording fees, laboratory fees. The "General Fund" includes statutory appropriations for the Livestock Loss Board (\$400,000/biennium).
- Special revenue funds, such as per capita fees listed below in "State Special," are intended by the

# Department of Livestock

## Agency Overview

September 2017

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**For the Economic Affairs Interim Committee**

- Legislature to be spent before general fund, see 17-2-108, MCA.<sup>1</sup>
- For the Livestock Loss Board, federal funds also have been available as have grants from nonprofit organizations. Payouts in the loss program are tallied on a calendar year basis.

### Department of Livestock Full-Time Equivalent Positions By Agency, FY 2013-FY 2019

	FY 2013 Biennium	FY 2015 Biennium	FY 2017 Biennium	FY 2019 Biennium
Central Services*	16.28	15.25	13	12
Board of Milk Control	3.5	3.5	3	3
Livestock Loss Board	1	1	1	1
Diagnostic Laboratory	21.76	21.76	20.26	21.51
Animal Health Division	13.5	15.5	14	14.25
Milk and Egg Program	6.5	6.5	7	7.25
Meat/Poultry Inspection	20.5	21.5	22.5	24.5
Brands Enforcement	57.71	57.71	52.91	53.11
Predator Control****	0	0	0	****
Total	140.75	142.72	133.67	136.62

\* For the FY 2019 biennium, Central Services faces restricted appropriations if a Deputy Executive Officer is hired.

\*\*The Livestock Loss Board hires its employee.

\*\*\*For the FY 2019 biennium, the legislature added 2 FTE positions for the Meat/Poultry Inspection program.

\*\*\*\*Handled under a contract with U.S. Department of Agriculture's Wildlife Services.

The budget below includes \$2,364,254 from the proprietary fund for the Veterinary Diagnostic Laboratory in the state special revenue amount.

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<sup>1</sup>17-2-108. Expenditure of nongeneral fund money first. (1) Except for the exemptions applicable to the Montana historical society in 22-3-114(5), the Montana state library in 22-1-226(5), the Montana school for the deaf and blind in 20-8-107(5), and the department of public health and human services in 53-1-612, an office or entity of the executive, legislative, or judicial branch of state government shall apply expenditures against appropriated nongeneral fund money whenever possible before using general fund appropriations.

# Department of Livestock

## Agency Overview

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**For the Economic Affairs Interim Committee**

Department of Livestock Fund Sources\*: FY2013-19 Biennia (FY2013-15 Actuals)

Divisions/Attached Entities	FY2013 Biennium Actual		FY2015 Biennium Proposed		FY2015 Biennium Actual		FY2017 Biennium Proposed		FY2019 Biennium Proposed	
	General Fund	State/ Other	General Fund	State/ Other	General Fund	State/ Other	General Fund	State/ Other	General Fund	State/ Other
	\$0	\$2,647.8 million	\$165,431	\$3,206.5 million	\$0	\$2,694.5 million		\$3,121.0 million		\$3,203,974 State special
	\$0	\$377,796		\$414,564	\$0	\$425,831		\$562,748		\$676,268 State special
Central Services	\$0	\$198,033 operations - payouts by calendar yr + \$170,000 federal funds	\$400,000 statutory ap. + \$165,431 operations	Federal funds and grants		\$214,744 operations - payouts by calendar yr	\$400,000 statutorily appropriated + \$194,647 operations	Federal funds and grants	\$400,000 statutorily appropriated + \$184,657 general fund	Federal funds and grants for livestock loss mitigation - unknown as of 8/22/2017
Board of Milk Control	\$615,977	\$3,435.1 million + \$29,000 federal funds	\$582,243	\$3,430.6 million	\$611,441	\$3,641.2 million	\$1,818.5 million	\$2,153.0 million + \$119,012 federal funds	\$1,411,403	\$3,387,237* + \$61,191 federal funds
Livestock Loss Board	\$213,318	\$3,435.1 million + \$1,687,255 fed funds	\$1,600.9 million	\$1,394.8 million	\$1,301.5 million	\$295.4 million + \$1,485,340 fed funds	\$1,600.9 million	\$1,394.8 + \$1,897,274 fed funds	\$1,674,626	\$1,474,125 + \$1,717,368 federal funds
Diagnostic Lab	\$0	\$772,557 + \$56,976 fed funds	\$0	\$1,241.1 million	\$0	\$860,618 + \$56,980 fed funds		\$1,241.0 million + \$42,682 fed funds		\$1,382,644 + \$42,000 federal funds
Animal Health*	\$1,280.4 million	\$11,643 + \$1,230,833 fed funds	\$1,289.4 million	\$11,435	\$1,364.7 million	\$11,435 + \$1,288,962 fed funds	\$1,652.5 million	\$11,436 + \$1,490,588 fed funds	\$1,837,742	\$11,434 + \$1,837,742 federal funds
Milk/Egg Program	\$3,843	\$6,779.0 million	\$3,170	\$6,751.2 million	\$0	\$6,595.7 million	\$0	\$7,454.5 million		\$7,004,065 State special
Meat/Poultry Inspect.				\$700,000				\$700,000		\$700,000 State special
Brand Enforcement*										
Predator Control										