

THE DEPARTMENT OF AGRICULTURE

An Agency Profile Prepared by the
Legislative Fiscal Division

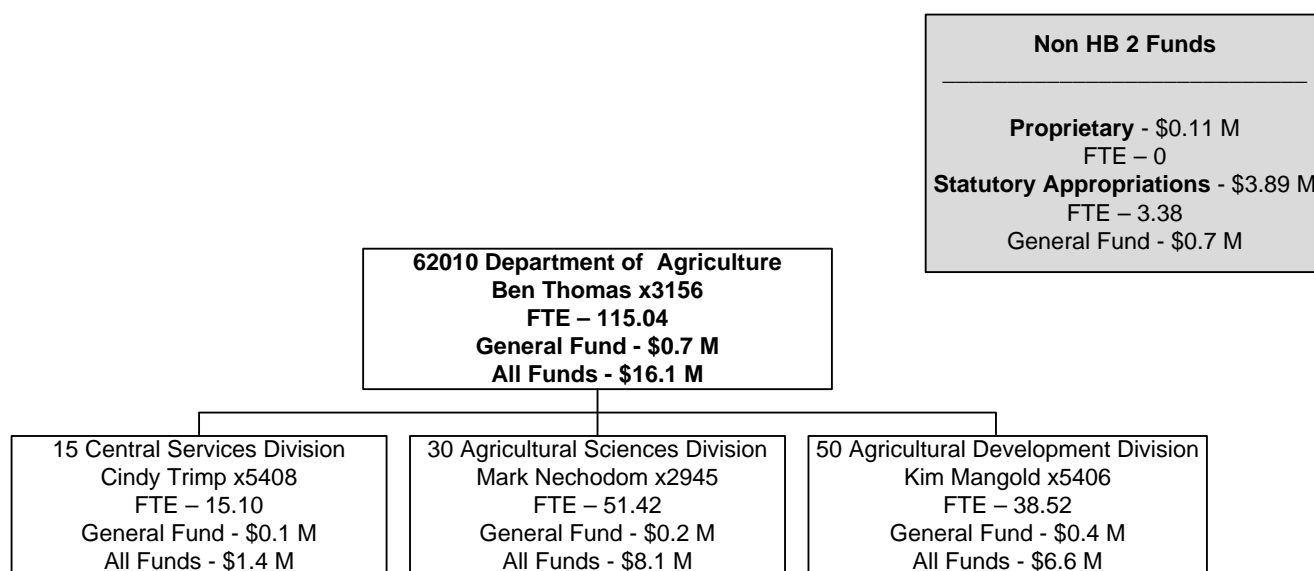
November 2018



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.

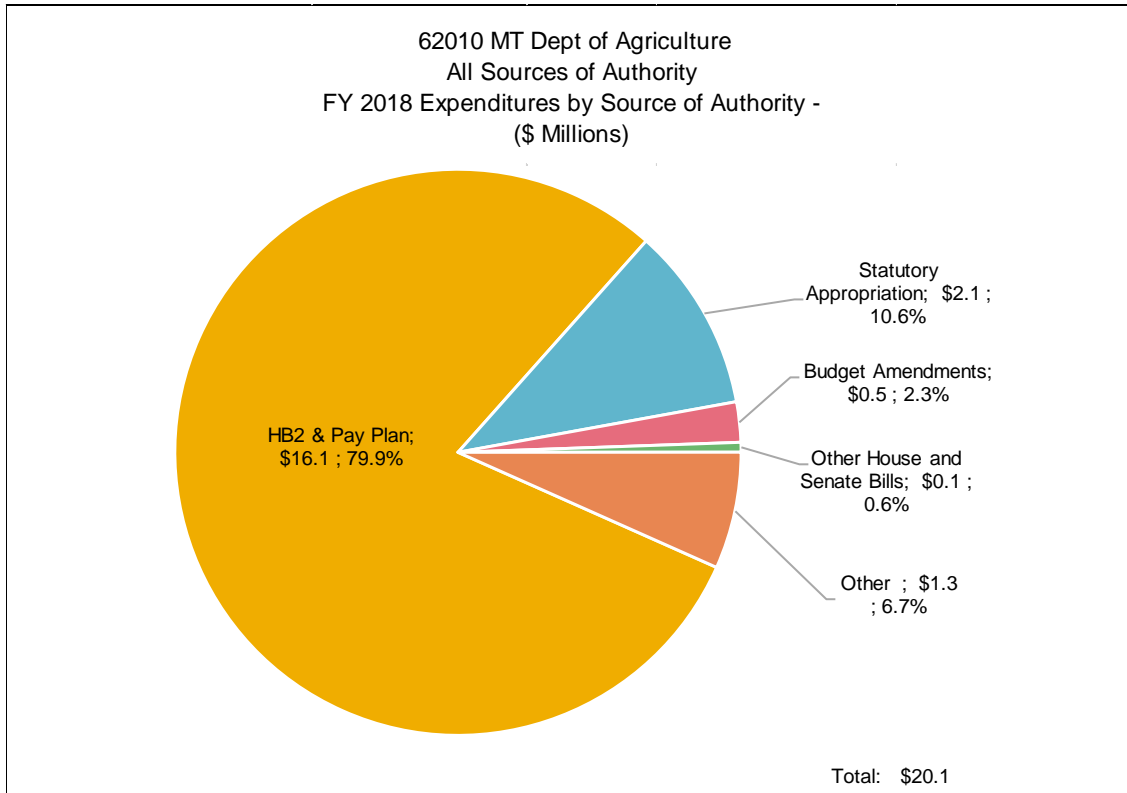


HOW SERVICES ARE PROVIDED

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 and universities 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

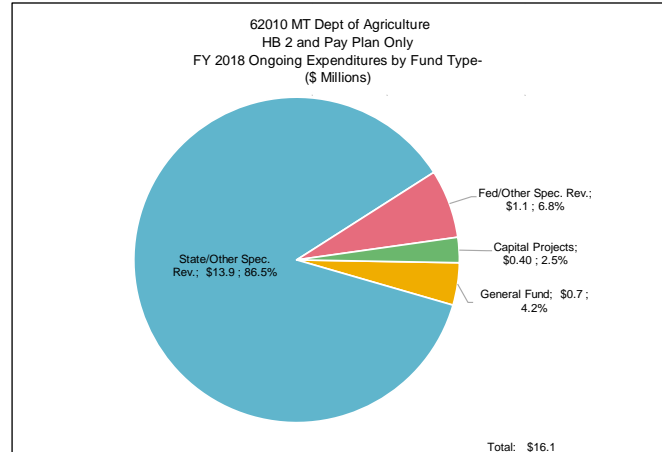
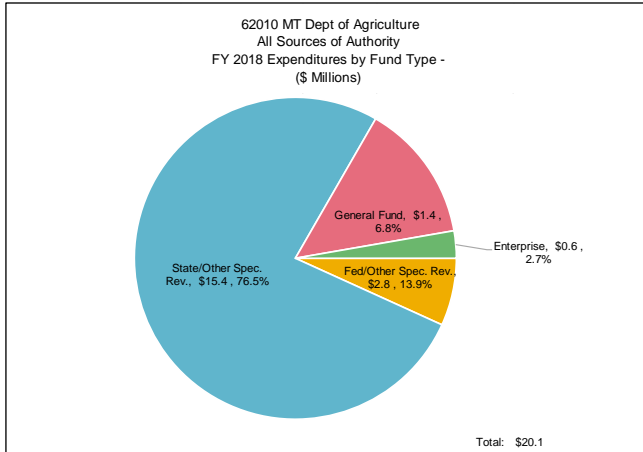


The above chart shows the expenditures by sources of authority for Agriculture in FY 2018.

Most of the agency expenditure is appropriated by the legislature through HB 2. In addition to HB 2, the agency expends state and federal revenue as detailed below.

- **Statutory appropriations** do not require reauthorization by the legislature. The agency expended \$0.7 million in general fund to promote rural agricultural businesses, and growth through agriculture programs. Check off fees which are statutorily appropriated for research and marketing of cherries, pulse crops and potatoes totaled \$1.3 million in expenditures. Proprietary funds totaling \$0.1 million were expended as part of the hail insurance program
- **The budget amendment** process allows the agency to increase federal appropriation to take advantage of federal programs that fund activities related to the mission of FWP not anticipated during the regular legislative session
- **Other House and Senate Bills** include SB 285 which establishes a Montana pulse crop committee to research and market pulse crops, and SB 55 which provides funding for outreach, inspections, and compliance assistance to Montana nurseries. The agency expended \$0.1 million from the state special revenue sources established by these bills
- **Other** expenditures are from continuing appropriations

FUNDING



The chart on the left shows the agency’s actual expenditures by fund type for all sources of authority. The chart on the right shows the agency’s HB 2 and pay plan expenditures by fund type.

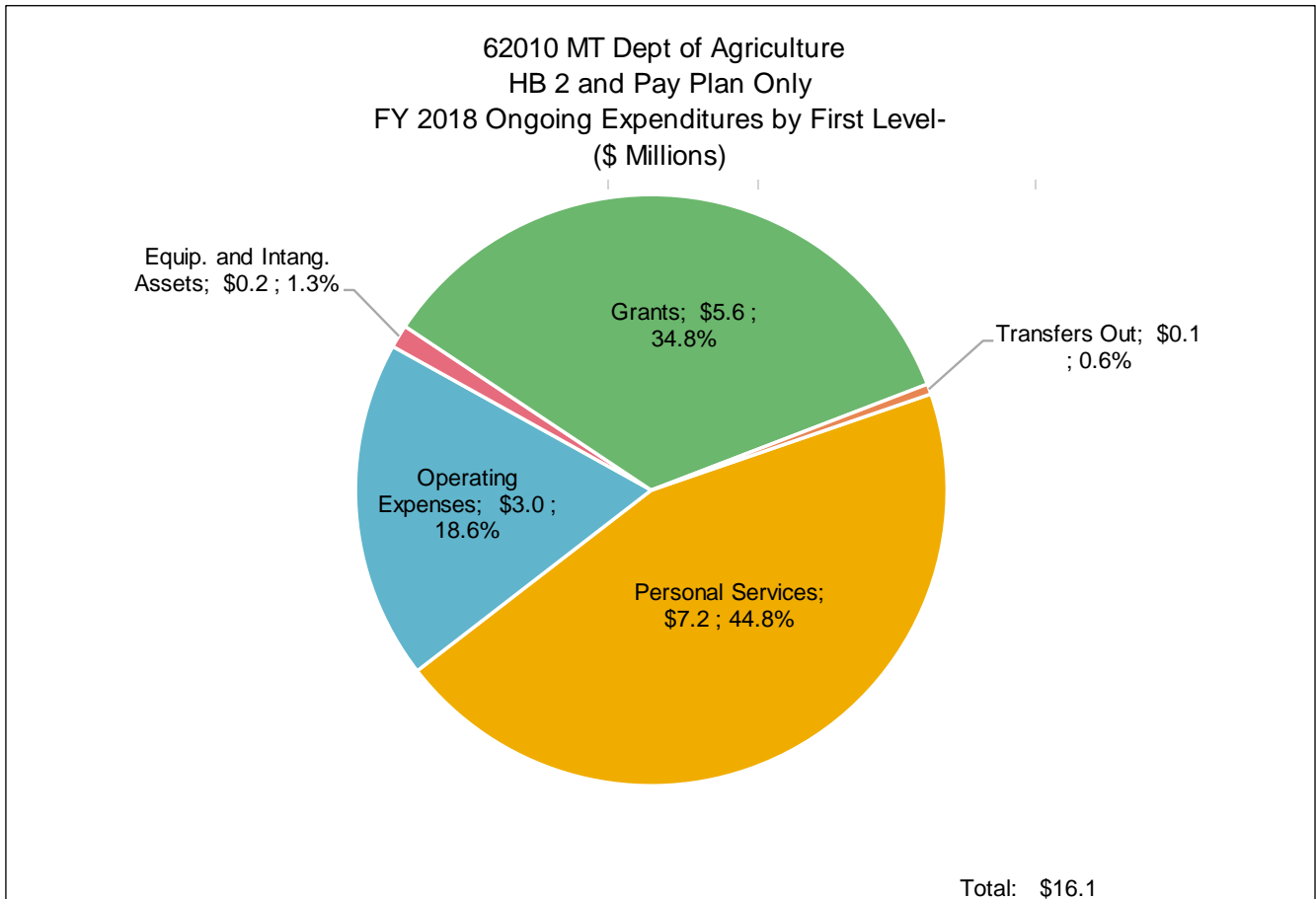
- The agency receives one half of all general fund appropriation through HB 2, the other half is statutorily appropriated
- \$15.4 million or 76.5% of the total agency expenditures are made from 32 state special revenue funds. Seven funds account for 80.9% of state special revenue expenditures. The table below shows the top seven funds and the agency’s expenditure from each fund

Department of Agriculture State Special Revenue Expenditures (millions of \$)	
<u>State Special Revenue Fund</u>	<u>Expenditure</u>
Wheat & Barley Research & Mktg	\$4.8
Noxious Weed Admin Account	2.1
Pesticide Account	1.4
Pesticide Groundwater Account	1.2
Pulse Crop Research & Marketing	1.1
Grain Services	1.1
Commercial Feed	0.8
Other State Special revenue Funds (25 Funds)	2.9
Total Expenditures From State Special Revenue	\$15.4

- The agency expended \$2.8 million in federal appropriation designated for research and agricultural development
- Enterprise funds were used to cover administrative costs and claims within the hail insurance program.

EXPENDITURES

The chart below shows how the HB 2 authority was spent.



Personal services and operating cost account for 63.4% of HB 2 expenditures. Grants for research and development account for 34.8% of expenditures. The remaining expenditures for equipment and transfers account for less than 2.0% of the total.

HOW THE 2017 LEGISLATURE CAN EFFECT CHANGE

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 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

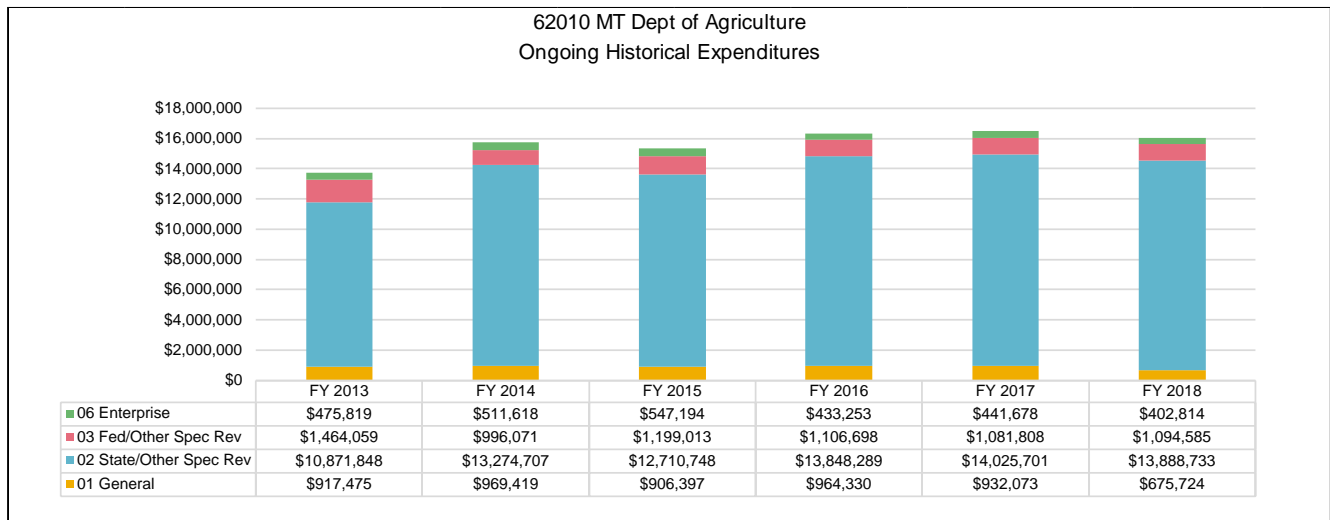
Major Cost Drivers

Element	2015	2016	2017	Significance of Data
Growth Through Agriculture total Grants and Loans	29 (\$0.6 million)	27 (\$0.6 million)	25 (\$0.5 million)	Program scope, Program Demand, Agency Workload
Acres of Land in Agriculture Production	59.7 Million	59.7 Million	59.7 Million	Size of Agriculture Economy Agency Work Load
Number of Farms	27,800	27,500	27,400	Size of Agriculture Economy Agency Work Load
Licenses and Certificates Issued	14,622	14,274	14,736	Agency Work Load
Analytical Laboratory Test Results Issued	125,000 (3,200 Samples)	70,000 (2,000 Samples)	70,000 (2,000 Samples)	Demand for Service Agency Work Load

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 FWP's funding and expenditures.



MAJOR LEGISLATIVE CHANGES IN THE LAST 10 YEARS

2017 Session

- SB 55 revises licensing, fees, inspections, and penalties for plant nurseries.
- SB 285 establishes an administratively attached Montana Pulse Crop Committee for research, publicity, education, and other efforts. The bill appropriated \$200,000 a year to support the committee

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/>