



Montana Board of Livestock

Meeting Minutes

May 11, 2016

Capitol Conference Room #172

Helena, Montana

Board Members Present

John Lehfeltd, Chairman (sheep producer)

John Scully, Vice-chair (cattle producer)

Lila Taylor (cattle producer)

Ed Waldner (swine producer)

Nina Baucus (cattle producer)

Sue Brown (dairy and poultry)

Staff Present

Mike Honeycutt, EO

Dan Turcotte, Milk & Egg Bureau

George Harris, Centralized Services

Dr. Bill Layton, Diagnostic Laboratory

George Edwards, Livestock Loss Board

Leslie Doely, Brands Enforcement Division

Donna Wilham, Adm. Asst. to EO

Gary Hamel, Meat Inspection

Evan Waters, Centralized Services

Dr. Martin Zaluski, Animal Health

Chad Lee, Milk Control Bureau

Public Present

Kraig Glazier, USDA Wildlife Services

Lewis Kendall, Bozeman Chronicle

Pat Murdo, Legislative Services

Kim Ashmore, Sheep Mountain Cream

Krista Lee Evans, Montana Milk Producers Association

Chelcie Cargill, Montana Farm Bureau Federation

Gene Curry, Montana Stockgrowers Association

MEETING CALLED TO ORDER

8:02 AM

Chairman John Lehfeltd called the meeting to order at 8:02 AM

APPROVAL OF 4/20/16 BOL MEETING MINUTES

8:02 AM

Nina Baucus moved 4/20/16 minutes be approved with tweaking. Lila Taylor seconded. Motion passed.

OLD BUSINESS

8:03 AM

EQC Update

DOL Executive Officer Mike Honeycutt and DOL staff reported to the Environmental Quality Council (EQC) the week before to discuss the environmental assessment of bison being moved from YNP to Fort Peck Indian Reservation for quarantine.

Discussion included:

- State law does not allow movement of bison within Montana based on only one negative brucellosis test.
- Of the 57 bison calves held by YNP for transfer to a proposed quarantine facility at Fort Peck, 8 have now tested sero-positive for brucellosis.
- State Veterinarian Dr. Zaluski has suggested to Dan Wenk, superintendent of YNP, that the sero-positive calves be sent to the APHIS brucellosis research program at CSU. Embryos from brucellosis positive females are washed and then transferred to brucellosis-free females. It is hoped this process will produce bison calves having the genetic character of the YNP bison but also be brucellosis-free.
- Sero-positive bison have been sent from YNP to CSU for several years.
- MCA 81-02-120 states the State Veterinarian cannot allow import of wild bison unless they're certified brucellosis-free.
- DOL animal health officials do not have jurisdiction on reservations unless there is an MOU with the reservation. If a sero-positive bison were identified outside of the present SA, a new DSA would have to be established for the area surrounding the sero-positive bison.
- DOL's first criteria must be certification of brucellosis-free bison, and past experience has shown that such certification cannot be guaranteed with only one blood test. Mr. Honeycutt is hoping a decision document will come from the Department of Interior directing the Park Service to do their bison quarantine inside of YNP or the DSA to alleviate any legal concerns of importation into Montana of diseased bison.

Mr. Honeycutt informed the EQC that to the best of his knowledge, neither the BOL, the State Veterinarian, nor any other member of the DOL staff were aware that a quarantine facility was under construction on the Fort Peck Reservation and that it appeared the partners in the EA of that potential quarantine facility were operationalizing the EA even before they put it out for public comment.

The DOL was informed that construction of the facility has already taken place and that it was funded through BIA and Federal agency grants.

Sen. Baucus suggested the DOL wait to see what proposed management plans would be offered for any facility within the state before the DOL made any decision on whether bison could be moved into any facilities outside DOL jurisdiction.

John Leffeldt suggested an MOU with each tribe would be the BOL's best direction at

the moment so the DOL has access to each facility and so everything is done within State guidelines. Secondly, the BOL needs confirmation from Dr. Zaluski that the DOL can move sero-positive bison across state lines.

John Scully said it is not the BOL or DOL staff's obligation to solicit a compact with the tribes because it sets a precedent for other activity. It is important for the DOL to follow the law. He suggested the legal questions be asked before the BOL negotiates any legal compact with the tribes.

Mr. Honeycutt has been asked by Legislative authorities and the Governor's office to schedule a time for himself, Dr. Zaluski and any BOL members to meet with the chairman at the Fort Peck Reservation to tour their quarantine facility. Dr. Zaluski, as DOL representative at the Tribal Summit meetings, has been discussing Elk Island bison with both the Fort Peck and Blackfoot Tribal representatives.

Milk Assessment Committee

John Scully gave an overview of discussions during two recent Milk Assessment work meetings:

- MCA 81-23-202, Sec. 4
- Definitions required by statute are broader than the definitions currently engaged in administrative rule.
- Determining the cost of operating the Milk Inspection Program and the Milk Lab.
- General funds were appropriated during the last session. Those funds need to be applied to the Milk Lab expenses.
- Minimum/maximum fees should continue.
- Any other recommendations should follow MCA 81-01-102.
- Fees to the milk industry need to cover cost of milk inspection plus cost of Milk Lab, minus the general funds allocated to the Milk Lab for zoonotic diseases (25%/26% of 41% general funds appropriated to the VD).
- A formula for additional fees for costs in excess of baseline fees needs to be established.
- Revenue for the Milk Lab: general funds, fees charged within the Lab and per capita.
- Funds collected through the current fee structure plus general funds should nearly cover expenses through the 2017 fiscal year.

Going Forward:

- Time application of the administrative rule so that the correct fees are collected.
- Determine the fee amount to be collected and from whom it should be collected to maintain the Milk Inspection Program
- Upgrade the milk inspection program by July 1, 2016
- Start the rulemaking process in November or December so action can be taken during the 2017 session
- The new rule needs to reflect State statute
- All producers are now covered except perhaps the "raw milk" sheep producers.

- All producers in Montana must have a license to comply with Federal and State Inspection laws.

John Scully pointed out that 81-23-202, Sub 4a states that fees collected from producers are to be used to administer the Milk Inspection Program and Milk Diagnostic Lab functions of the DOL. It does not say those fees are to cover “all costs.”

- Milk Inspection expenses of \$338,537 plus Milk Lab expenses of \$215,101 equal \$553,638 minus \$372,173 (current fee collection) equals (\$181,465). Deficit to be made up by increasing current fees or general funds.
- Current fee structure plus 26% of general funds for zoonotic diseases covers present Milk Inspection Program and Milk Lab baseline expenses.
- Request continued general funds from 2017 Legislature.
- Industry will bring a proposal to the Legislature.
- Milk Committee agreed the minimum fee be raised to \$75.
- If the new rule passes, the hundred weight fee would be around 14 cents; minimums and maximums would stay the same; fees would be assessed producers and others listed in the statute; the rule would be implemented in August.

Krista Lee Evans, Montana Milk Producers Association (MMPA), made the following requests:

- BOL adopt the new rule which applies fees to both the producers and processors effective July 1, 2016.
- The minimum/maximum fees remain at \$50 and \$1050
- MMPA feels it is appropriate to charge violation fees for follow-up inspections beyond baseline testing.
- Analysis of funding and rule making with/without general funds.
- Stated that any general funds appropriated during the 2017 Legislature would apply to FY18-FY19.

Chad Lee, Milk Control Bureau comments:

- The new rule change effective July 1 or July 8 would be assessed on July production.
- The majority of the increased revenue would come from Meadow Gold and Darigold.
- 10% to 15% would come from producers who had not paid fees previously.
- New producers would contribute about \$42,000 annually or about \$3.500 monthly.

MOTION/VOTE

10:03 AM

John Scully moved that the BOL approve a new milk assessment rule to be drafted for publication on June 3, 2016 that would include:

- **Keep the minimum and maximum fees currently in place.**

- **Expand the new definition of producers/processors to the statutory and administrative rule**
- **Set the new per hundred weight liquid milk fee at 14 cents**
- **Set a fee structure for violations and repeat testing beyond prescribed baseline testing for a given year that can be incorporated into the fee structure at the next rulemaking.**

Lila Taylor seconded. The motion carried.

Comments:

Rob Adamson of Meadow Gold Dairy supported the motion.

Ed Waldner said the Montana Milk Producers supported the motion.

Sue Brown felt that most of the small producers have said they are willing to pay a little bit to offset the costs. She felt it is a compromise and a good proposal.

Chelcie Cargill, Montana Farm Bureau, supported the motion.

RECESS
10:14 AM

RECONVENE
10:29 AM

OLD BUSINESS CONTINUED:
10:29 AM

Predator Control

Kraig Glazier with USDA-APHIS Wildlife Services, reported Granite County voted to drop the county cattle petition. He also reported that grizzly depredation along the East Front is way up from last year. .

10:39 AM

Per Capita Collection Update

George Harris, Centralized Services Division, reported on a May 4, 2016 statewide press release received from the DOR explaining the current collection process for per capita, announcing a payment due date change from November 30th to May 31st and the ability for producers to now pay online. Mr. Harris said the DOR had collected \$3,059,443 per capita revenue to date for FY17. Estimated per capita for FY17 is 4,993,648. He reported that FY16 per capita collections had exceeded our budget authority by \$848,588. DOR pamphlets will be sent to the livestock markets for distribution.

NEW BUSINESS:

EXECUTIVE PLANNING PROCESS (EPP) WORK SESSION

10:43 AM

The DOL is working from a “one-time only” base and is required to justify its entire budget for FY18/FY19 beginning from a zero base. Each department head presented their budget requests to the Board. The final list will be presented to the Governor’s Budget Office by May 31, 2016.

The budgets for the Livestock Loss Board (LLB) and Board of Milk Control (BMC) have been approved by their respective boards and will be presented to the Governor’s Budget Office along with the DOL’s budget.

Executive Office: Broadband Pay – Bring all employee salaries up to a minimum of (70% of market - \$380,000) or (80% of market - \$404,000) in salary and benefits (this includes the 50 cent/hour raise for all State employees).

Livestock Loss Board: \$300,000 statutory funding for livestock loss; \$200,000 for loss prevention; one-time spending authority for \$600,000 in roll-over funds to be used ½ for livestock loss prevention grants and ½ for Wildlife Services.

RECESS FOR LUNCH

11:59 AM

RECONVENE

12:33 PM

EPP WORK SESSION CONTINUED:

12:33 PM

Board of Milk Control: \$100,000 for an outside professional expert to conduct a milk control study of price formulas/methodology of the statewide pooling and quota plan that determines dairy compensation.

Central Services Division: \$119,000: 20 computers/year - \$14,000; in-house lawyer - \$78,000; new server - \$14,000 USP surge protector - \$3,000.

Veterinary Diagnostic Lab: *Personnel requests* - Two modified positions returned to 1 FTE status (1/2 Serology, charged to the Vet Lab/and ½ Milk Lab, charged to the Milk Lab) - this is not included in the Milk Lab operation budget; one DVM Board-Certified or PhD Microbiologist; one Business Manager *Equipment requests* - replace the Fossmatic for the Milk Lab (not included in the Milk Lab operation budget); \$46,000 centrifuge; \$8,500 industrial dishwasher; \$3,500 equipment replacement for Clinical Pathology; \$2,000 Milk Lab incubator; Serology refrigerator; \$1,400 valance for

Virology; \$900 electronic device to replace an open-flame Bunsen burner; Serology incubator; \$2,300 electronic freezer alarm for Virology; travel/continuing education funds and library updates; \$12,000 new VADDS maintenance contract (check on current contract); new maintenance contract for the Immulite machine.

Animal Health: *Request for two leased vehicles* – 1. One for bison program 2. One to share with Brands *Personnel request* - ½-time Data Compliance Specialist (\$24.71/hr) to be paid out of traceability money (Federal Cooperative Agreement)

Milk & Egg Bureau: \$150,000 software upgrade plus \$10,000 program maintenance (90% milk/10% egg) all of which is general funds; Three leased vehicles (90% milk/10% egg) not included in operation budget).

The Interim Legislative Committee gave permission to DOL to use the \$55,000 per capita funds set aside for the Milk Lab software update for prudent Milk and Egg operation expenses. The funds may be used to cover any FY16 shortfall the milk program may have.

RECESS
1:59 PM

RECONVENE
2:12 PM

EPP WORK SESSION CONTINUED:
2:12 PM

Brands Enforcement Division: \$80,000 increase in horse inspection fee revenue; *Request for seven leased vehicles* – 1. Five already allotted 2. One to share with Animal Health 3. One to cover increased size of some Districts; reconfigure the law enforcement equipment budget to annual budgeting; 16 computers.

Meat and Poultry Bureau: Add 2 FTEs/computers, knives and aprons for those positions; two leased vehicles; biennial appropriations for travel/training.

SET EPP PRIORITY ORDER:
2:33 PM

1. Adjust wages to a minimum of 70%
2. Direct staff to prioritize all Department requests based on safety first and followed by cost and funding source.

Performance Evaluations: The performance evaluation process, using current evaluation forms, will be completed by June 15th.

Ed Waldner invited the BOL to the Western Dairy Association annual meeting in Great Falls on May 26, 2016.

MOTION/VOTE

2:54 PM

Nina Baucus moved to consider implementing up to a 70% Department-wide Broadband Pay Increase (\$125,000), pending the year-end financial results, and to proceed forward with an inquiry to the State Budget Office regarding the process needed to implement the pay increase. John Scully seconded. The motion carried.

COMMENTS FROM PRODUCER ORGANIZATIONS:

3:01 PM

-Gene Curry, MSGA thanked the BOL for the process they spent quite a few hours doing. He said the industry is behind the BOL, and their actions will go a long way in promoting the DOL. He said that Brands is the face of the DOL, and talking about getting salaries up to a more equitable position will bode well for the comfort level of the Brands Inspectors. When they are not happy, they talk, and then it spreads like wildfire. The word will get out that this Board is doing their best to equalize their position. Gene mentioned that he was concerned with the funding formulas and increased fees in the Brands Division budget. He wondered how much of that is due to the market fluctuations. He added that it has been his position and MSGA's that they are not opposed to per capita fees being spent to bolster the Brands Division. An individual rancher gets all the good out of this Department without paying anything, even if he chooses to not sell his livestock through a livestock market. Gene personally invited John Lehfeldt, Mike Honeycutt and the Board to the Great Falls Hilton Garden Inn on June 9-10 to the MSGA convention so they can be introduced. Gene also said it is his intention as Chairman of the long-range planning committee to get the Legislative Audit Committee together and share with them what the long-range planning committee did and hopes to accomplish. The closer to the Legislative session we can meet with them and reinforce with them what we and the BOL is doing it might have a better effect come Legislative time.

OTHER BUSINESS:


Mike Honeycutt will check with the Legislative Audit Division regarding the Performance and Lab audits. The performance audit exit interview was done on May 4th. Mr. Honeycutt received the Department's copy and the Department's comments are due back to the Legislative Audit Committee by May 20th.

SET DATE FOR NEXT BOARD MEETING:

3:11 PM

-John Lehfeltd set Friday, June 24, 2016 for the next BOL meeting.

MEETING ADJOURNED
3:12 PM


John Lehfeltd, Chair