



Montana Board of Livestock Meeting Minutes

June 26, 2018

MT Department of Livestock Board Room #319
301 N. Roberts, Helena, Montana

Board Members Present

John Lehfeldt, Chairman (sheep producer)
John Scully, Vice-chair (cattle producer)
Lila Taylor (cattle producer)
Ed Waldner (swine producer)

Nina Baucus (cattle producer)
Sue Brown (dairy & poultry)
Brett DeBruycker (cattle producer)

Staff Present

Mike Honeycutt, EO
Gary Hamel, Meat & Poultry Bureau
Bonnie Marceau, Meat & Poultry Bureau
George Edwards, Livestock Loss Board

Donna Wilham, Adm. Asst. to EO
Dr. Tahnee Szymanski, Animal Health
Evan Waters, Centralized Services
Dan Olson, Centralized Services

Public Present

John Steuber, USDA Wildlife Services
Rob Stutz, Legal Services Division
Chaley Harney, MT Beef Council

Kelsie Harbert, MFBF
Sarah Clerget, Legal Services Division
Jay Bodner, MSGA

MEETING CALLED TO ORDER

9:57 AM

Chairman John Lehfeldt called the meeting to order at 9:57 AM

APPROVAL OF BOARD ADMINISTRATIVE CONSENT AGENDA ITEMS

9:57 AM

Mike Honeycutt reported that there were no Bureau Reports or Out-of-State Travel Requests to consider

MOTION/VOTE

9:57 AM

Nina Baucus moved to approve the minutes, with corrections, from the BOL 5/23/18 meeting. Sue Brown seconded. The motion passed

OLD BUSINESS

9:58 AM

9:58 am – Finance Committee Discussion –

- John Scully thanked Mike Honeycutt and Evan Waters for their work in preparing for the BOL Finance Committee meeting that was held on June 20, 2018 and attended by some DOL staff, John Scully, Lila Taylor and Nina Baucus
- Managers in each of the divisions of the BOL have been given a spreadsheet to complete that will be used in the Executive Planning Process (EPP), listing the division's base budget and any incremental new changes to their budget
 - The spreadsheet must be completed and in Mike Honeycutt's hands by the end of June
 - The sheet will be reviewed by Mr. Honeycutt and staff to prioritize division budget requests and determine fund sources for the new requests
 - The BOL must approve the budget requests before they can be plugged into the final budget that will be presented to the Governor's office in mid-August
- Some upcoming dates to note for budget planning are July 17, 2018, snapshot day, and July 24, 2018, the books are closed for the 2018 fiscal year, with SABHRS closed down for a half day as well to process department reports. Budget for the next biennium must be submitted to the Governor's office shortly after that

Mr. Scully walked through circumstances that occurred in the DOL bringing it into the financial situation it is currently experiencing:

- The 2015 Legislature in a footnote, suggested that if the DOL increase per capita fees to cover it, salaries of those DOL employees under the 80% of market could be increased – a cost to the DOL of around \$400,000
- Per capita was raised, salary increases became effective a week or two after the snapshot in 2016
- The 2017 Legislature did not have the salary increases listed and authority was not identified for those raises
- Union negotiations in the Meat & Poultry Inspection Bureau not only increased wages, but other cost structures as well
- State Departments were asked to get rid of the 4% vacancy savings
- State Departments were asked to cut 10% in general fund, which in the DOL is in the Meat & Poultry Inspection Bureau, the DSA, and in the VDL
- The DOL has ample cash, according to Mike Honeycutt, but not authority to spend it. However, carryforward authority from previous years can be used to make up the difference at fiscal year end

- Evan Waters reported that carryover authority for 2016 and 2017 is \$634,000
 - 2016's carry forward must be used or lost
 - If 2017's carry forward is used, it will not leave a cushion for next year

Mr. Scully discussed the proposed rule, voted on by the BOL at their last meeting, to expand the DSA

- A rough estimate of what it will cost the DOL to implement the proposed rule was not discussed when the vote took place, but that estimate is around \$120,000
- Because of a lack of funds, training and implementation dates are not certain
- The BOL Finance Committee recommended delaying the implementation of the expanded DSA until it is known in August or September what the final and expected budget going forward is going to be
- Markets and the general public would need to be informed of the change in age and date when brucellosis vaccinations would need to occur if the proposed rule passes

George Edwards talked about the transfer of funds from LLB:

- The LLB, by statute, can have up to \$300,000 in a loss payment account and half of anything in excess of that can be given to Wildlife Services by June 30th of each year, and 10% can be transferred to the LLB for office expenses for the operational account. These funds are general fund dollars
- This year, around \$60,000 will be transferred from the loss payment account
- The LLB Board has directed the DOL this year to transfer 10% of those excess funds to the LLB operational account to offset the Governor's 10% general fund cut made during the special session, which will help keep the LLB afloat
- John Scully reminded the BOL that they will have to decide how much to propose in next year's budget request to the Legislature for predator control

There was a discussion regarding extra fees charged by the DOR beyond the 2% contract fee, when per capita payments are made by credit card:

- Mr. Honeycutt said that because of bank charges to businesses for using credit cards, there is a 3% fee charged to the producer for the per capita fee paid. When checks are used, the charge is \$2
- It was requested to find out if there is a cost for using debit cards

Mike Honeycutt reported on the major topics of conversation during his attendance at the Montana Beef Council Meeting on June 19, 2018:

- The Council wants to have a good relationship with the DOL, which Mr. Honeycutt believes there is, both in the field and with staff in Helena
- Concern was raised by the Council regarding the check off fund forms
- The forms, when signed by producers, qualify the Montana Beef Council to keep a portion of the per capita funds to be used in Montana rather than be sent to the National Cattlemen's Beef Board under USDA oversight
- Mr. Honeycutt shared with the Council the DOL's current practices of being neutral in that situation and does not feel the DOL has an appropriate role in active promotion of getting the per capita forms filled out

The financial situation at the Milk Lab was discussed:

- The Milk Lab is still over budget, but milk inspection fees collected are more than expenses for this fiscal year

- To keep the fee structure at the Milk Lab from being increased, general fund dollars were sought to make up the difference, and those general fund dollars will be a critical issue going into the upcoming Legislative session

Base salary increases were discussed:

- Mr. Scully said that there will be an issue at the next Legislative session relative to the authority to use the available cash to cover the increased salaries the DOL was directed to give by the Legislature, but it is not an addition to the operations budget
- Mr. Scully said that when he asked the Legislature at the last session for a contract increase for Mike Honeycutt's salary, they didn't fund the request, but took it from the DOL's cash
- Mr. Scully would like to see a calculation of how much money was saved in the DOL this year by not filling vacancies
- Mr. Honeycutt mentioned the possibility of using unspent authority in the Shielded Egg Program and the Milk Inspection program, which is State Special Revenue fund type, and can be used to apply to problem areas in the DOL

Meat and Poultry Inspection Division finances were discussed:

- Union negotiations happen every two years and one was just completed
- A possibility to cover unexpected expenses in the Meat and Poultry Inspection Division could be HB3 asking for retroactive recovery to use per capita money in the second year of the biennium and also to ask for additional authority

Mr. Scully congratulated Jay Bodner as the new head of MSGA and told him and for the record, that there will be a meeting with the industry to explain what's going to be in the next year's budget, how this year ended, if any steps will be taken in HB3 and the budget for the next biennium

Discussion on Proposed DSA Expansion

- Dr. Tahnee Szymanski proposed that if it is a financial matter to expand the DSA, to go back and look at tests being reimbursed and restructure DOL policy on which tests will be reimbursed instead of excluding a group of tests from this fall's movement of animals out of the DSA
- Currently, the DOL reimburses for required testing, which is change of ownership or movement and for whole herd testing, which is not required but has become popular with DSA producers
- The DOL would look at possibly scaling back reimbursement of whole herd testing, although some BOL members did not feel comfortable cutting test payments but to look for other funding sources
- Dr. Szymanski also said that she is not comfortable with testing after January 1st and would rather see a fall test
- Approximately 20,000 tests per year are done for brucellosis. Testing for movement out of the DSA is reimbursed with general fund money from the Legislature. Cooperative agreement monies received from the Feds is used for epi work
- Dr. Szymanski said that the question has been is the expansion of the DSA large enough, not, do we need to expand it

- Dr. Szymanski said that education for the expansion would be mailings to producers in those counties, signage at markets, informational meetings and slips in checks sent to producers who sold animals at the markets.
- Dr. Szymanski said that as far as enforcement, the first year or two would be a lot of education regarding vaccination requirements when animals are brought to the market or getting brand inspections

LEGAL COUNSEL UPDATE

11:29 AM

11:29 am – Legal Update from Legal Counsel

Sarah Clerget from Agency Legal Services for the AG in Rob Stutz's office gave an update on the Park Street Pasties lawsuit:

- A decision has been received from the Hearings Examiner but Ms. Clerget could not give it to the BOL because the parties have been given an opportunity to write exceptions briefs. She said that the decision is public, but does not want the BOL to consider the decision without any briefs or oral arguments that may come
- The BOL will have access to any of the underlying information, including hearings transcripts, in the case once the decision and the exceptions briefs are received
- At the next BOL meeting, Ms. Clerget said she will be giving the BOL members a memo that outlines the law and options to take when looking at a decision and deciding what to do and also a packet of information
- It was suggested by Ms. Clerget that the BOL appoint a Special Master, who will represent the BOL for the purpose of procedural matters and for setting dates exceptions briefs are due, or granting extensions of time, etc. between the time a Hearings Examiner renders a decision and when the BOL issues their final decision. Often, boards appoint their counsel to do those things
- The process for going forward with the lawsuit will be studying the decision, exceptions briefs, the hearing of oral arguments at the next BOL meeting and then the BOL has a month from the time the oral arguments happen to give the final agency decision, which is a written, signed agency decision

MOTION/VOTE

11:36 AM

John Scully moved to appoint Sara Clerget the BOL's Special Master for the Park Street Pasties case. Sue Brown seconded. The motion passed

- Ms. Clerget said she would set aside 30 minutes to the party and get a briefing schedule that would allow for a completed packet at the next BOL meeting

DOL Legal Counsel Rob Stutz reported on litigation issues for three ongoing lawsuits in the DOL:

- Coremark
 - Coremark and the DOL have asked for a summary judgement and if the court grants it, the case would not go to trial
 - It is expected that a decision will be rendered on the cross motions for summary judgements
 - As of Friday, June 22, 2018, the DOL and Coremark each filed a response brief to each other's motion and then Coremark will file a reply brief in support of the DOL's motion
 - Mr. Stutz reminded the BOL that Coremark had dismissed all claims, including an interstate commerce clause claim and the only issue remaining is whether there is a free speech violation
 - The case is currently before Judge Haddon in Federal court but each side could appeal to the 9th Circuit Court of Appeals if results aren't satisfactory
- Cottonwood Bison
 - This case, regarding bison in the Yellowstone area, has been filed against the DOL, FWP, Secretary of the Interior Ryan Zinke and the Governor's office and is currently before Judge Haddon
 - The request that the DOL be dismissed has been briefed and is awaiting decision
 - The reason a request for dismissal was filed is because the claims apply to Federal agencies but not to the State of Montana and its agencies
- S&T Project Meats
 - S&T's petition for judicial review is still pending at district court in Billings
 - A claim was filed with Risk Management and Tort Defense and they've sent in a settlement offer to try and resolve that claim
 - A separate damages claim has also been filed

EXECUTIVE SESSION

11:44 AM

RECONVENE

12:23 PM

LEGAL COUNSEL UPDATE - Continued

10:14 AM

MOTION/VOTE

12:23 PM

Sue Brown moved to approve counsel conferring with Risk Management Tort Defense about potential for resolution of the S&T Project Meats petition for judicial review, including any claims under that petition and for resolving that

litigation if approved in writing by Risk Management Tort Defense. John Scully seconded. Nina Baucus and Lila Taylor voted no. The motion passed

RECESS

12:25 PM

RECONVENE

12:54 PM

OLD BUSINESS CONTINUED:

12:54 PM

12:54 PM – PERSONNEL COMMITTEE UPDATE

12:54 PM – Personnel Evaluation Update

Brett DeBruycker reported that the only real update for the Personnel Committee was the performance evaluation of the Executive Officer:

- Mr. Honeycutt reported that he had not done his self-evaluation and voiced that he feels he has met expectations in all categories, but did point out that he has not put the effort together yet to pull together a holistic DOL annual report
- It was decided that BOL members fill out their evaluation forms for Mr. Honeycutt and that he would email his self-evaluation to them. The evaluation will be done publicly at the next BOL meeting

12:58 PM – Transition Planning

Mike Honeycutt reported that the Division Administrators have been asked to identify areas of hard-to-fill positions and plans for those positions and have that in his hands by the end of June:

1:00 PM – LEGISLATIVE AUDIT UPDATE

1:00 PM – Brucellosis Performance Update

Mike Honeycutt reported on the status of the Brucellosis Performance Update:

- The final report was made on June 26, 2018 with no major issues that Mr. Honeycutt was aware of

1:01 PM – 2018 Financial Audit

Mike Honeycutt reported on the status of the 2018 Financial Audit, which he said is actually an audit of the 16 and 17 years:

- Public hearing on the audit was held that morning and the DOL was able to say that all recommendations from the audit were made
- Three recommendations had been made to the DOL in the audit
- The timing of when per capita is recognized – an easy fix
- Making the transfer for the LLB program – Evan Waters is slated to do that on June 30, 2018

- Some accounting practices needed to be shored up – Evan Waters has worked on those

Mike Honeycutt reported that the revised Policies and Procedures had not yet been sent to the industry for their input because final edits from the BOL had not been added but should be done by the end of the week

CENTRALIZED SERVICES DIVISION REPORTS

1:04 PM

1:04 PM – Livestock Loss Board

- George Edwards reported that claims have been coming now in groups, following a traditional pattern
- As of this morning, 40 depredation claims had been paid
- The Department of Interior contacted Mr. Edwards to let him know that the LLB will be receiving the \$130,000 in grant funds he had applied for in Fall 2017
 - The Federal grant is a 50/50 cost-share, with \$100,000 going for loss prevention work on wolves, \$30,000 is about half of what the LLB paid in wolf claims because of the 50/50 cost share
 - A grant meeting for the LLB will probably be scheduled in August
- Mr. Edwards explained that only about 1/3 of their claims are for wolves, but the biggest share of the money they have received has been designated for wolf work
 - Wolf claims have dropped ever since FWP implemented a wolf hunting season and changed the law to allow ranchers, if they feel a wolf is threatening their animals, to shoot it
- Mr. Edwards reported that grizzly bear kills have been escalating in Teton and Pondera Counties
- Mr. Edwards explained that unverified stock, stock that is never found, cannot be covered by the depredation funds from the LLB because the funding is restricted to death-loss payments

1:18 PM – Predator Control

John Steuber, USDA Wildlife Services (WS), gave updates on activities at USDA Wildlife Services:

- Everyone is pretty much moved up on summer range now, a bit later than last year and claims have begun to come in
- Grizzly bear issues, including depredations have occurred in Glacier, Pondera, Teton, Chouteau, Lewis & Clark, Powell, Sweet Grass, Carbon, Counties
- Two Wildlife Services pilots were gone for 4-5 weeks on National Guard military leave
- One helicopter is just 50 hours away from overhaul and so WS is trying to complete those hours so that the overhaul can be completed before Fall

- The Super Cub has 150 hours of flight time left and then it will have to have an engine replacement
- Janet Bucknell has replaced Bill Clay as USDA Deputy Administrator for Wildlife Services
 - Ms. Bucknell is from the East coast but will be coming to Montana July 15-21, 2018 to get an overview of WS work in Montana in protecting cattle and sheep from the state's full-range of predators that have increased over the years
- Mr. Steuber will be attending a Wildlife Management team meeting in Riverdale, MD July 30th – August 4th
- All WS West District employees will be in Helena on June 27, 2018 for aerial crew member and firearms training

Mr. Steuber explained that WS in the state is trying to get more proactive in non-lethal deterrent methods, which is partially funded by the LLB and the Metro Resource Defense Council and other environmental groups:

- Technical Assistance
- Guard Dogs
- Fencing
- Turbo Flattery (has been successful for wolves)

Mr. Steuber reported that there has been some new cooperative funding from some sportsmen groups and funding from other groups as well:

- Montana Sportsmen for Fish and Wildlife - \$20,000 for grizzly bear and wolf work
- Rocky Mountain Elk Foundation - \$25,000 for wolf work
- The Blackfeet Nation in Glacier County reorganized their Association and provided \$20,000 this year
- The Montana Stockgrowers Association contributed funds to WS
-

Mr. Steuber discussed Montana counties and their cattle and sheep petitions:

- Only five Montana counties do not have sheep petitions
- Granite County passed a petition to do away with their cattle petition
- Carter, Powder River and Richland Counties do not cooperate in the USDA program at all and their predator control share of per capita is turned back to them and so WS does no work there, only investigation of mountain lion depredations, because they are the only ones who can do those investigations for landowners who request compensation
- Madison and Beaverhead Counties give an annual Livestock Protection Committee funding to WS
- Individual counties' commissioners dictate how WS is to use their petition money, whether for grizzly bears, wolves, coyotes, etc.

Mr. Steuber said there are six or seven lawsuits against delisting grizzly bears

- Ed Waldner said that when three Fish and Game representatives came to their Colony for an evening, they said that the grizzly bear isn't the bad bear, the black bear is the bad bear

FISCAL BUREAU

1:42 PM

1:42 PM Budget Appropriations Update

Evan Waters, Finance Accounting Bureau Chief, gave a brief run down of dates for Fiscal Bureau activities for the next few months:

- Last day to process the books is July 24th
- Instructions on how the DOL is going to process HB3 should be received and somewhere after August 15th the DOL should know about HB3
- The Governor's Office of Budget and Program Planning (OBPP) will be sending out Executive Budget Request packages to agencies on August 15th
- Evan Waters and Brian Simonson will be attending IBARS training
- August 29-September 1, OBPP will contact agencies as to when they are to submit their budget requests
- On September 12th, agencies must submit paper copy edits of their organizational charts for inclusion into the Executive budget

Evan Waters discussed his research into fees charged on per capita payments:

- There is nearly a 3% fee charged on credit cards
- There is a \$2 fee charged if the payment is an online direct debit out of a person's checking or savings account

1:46 PM June 2018 Expenditure Projections

Evan Waters explained that the budget in the Expenditure Projections section of his report has increased a lot because of 2016 and 2017 carryforwards:

- 2016 carryforward is first priority for use, because it is "use it or lose it"
- 2017 carryforward can all be used as well, but that would then not be available to mitigate any issues next year
- 2018 carryforward can be used, but only 30% of it. 70% of 18's authority is lost if it is not used
- Carryforward from 2016 is about \$288,000 and from 2017 is \$345,000
- The General Fund budget is projected to be \$165,000 over budget, but by moving authority into a different area will zero out that deficit

Mike Honeycutt explained that there were some factors that were not accounted for in Mr. Waters' report that could help reduce the amount of 2017 carry forward:

- If VDL funds are transferred into the enterprise account and expended, along with the authority, it will reduce the amount of 2017 carryforward needed to be spent
- If the excess Shielded Egg Grading fees are moved into another area or saved for carryforward for next year, that would help the DOL
 - Mr. Waters explained that the revenue in Shielded Egg is about \$130,000 - \$140,000, but authority is almost \$400,000, so revenues cannot be overspent
- The \$132,132 figure listed on Milk Inspection fees is excess authority that could be converted to another State Special Revenue and could be used to protect carry forward for next year

Mr. Waters explained the DSA projections that had been brought up earlier in the meeting:

- The expenses recorded in those projections are as of June 15, 2018, showing a \$25,000 deficit.
- Some expenses that could be paid out of the Federal program have been identified and will be applied to that deficit rather than having it covered with State funds, bringing that total close to zero
- The Federal program will not be known until the end of the year and so those revised numbers won't be posted to the DSA until that time
- Mr. Scully reminded the BOL that the DSA budget was reduced in addition to the 10% and that piece of the budget should be monitored next winter to assure that the general fund DSA piece stays intact and is improved upon

Mr. Waters explained that although the general fund projection in the VDL shows \$12,000-\$13,000 excess, it was short \$13,000 in general fund dollars on the milk side of the Lab and he said with carry forward, the lab should make it on its own

- Mr. Waters said that general fund that is being used in the Lab right now will be reduced and some general fund will be moved into the Meat & Poultry Inspection Bureau

Mr. Waters reported that the Meat and Poultry Inspection Bureau is projected to be about \$135,000 short which will have to come from general fund because only so much is allowed in Federal matching funds

- Mr. Honeycutt said that the amount short is about the same needed to be moved into the VDL for **care** funds so there will be general funds there

Mr. Waters explained that BCDs will be used in Brands Operations and moved into Personal Services

2:12 PM June 15, 2018 YTD Budget Status Report

The BOL had no questions on the Budget Status Report, but Evan Waters said that the Budget Status report feeds the projections, comparing expenses this year to last year and the projections don't include last year's expenses

2:13 PM Year-to-Date as of May 31, 2018 Revenue Comparison

Evan Waters reported on State Special Revenue comparisons as of June 15th:

- State Special Revenue for the DOL is projected to be \$31,763 more than last year
- Brands State Special Revenue is projected to be \$232,308 more than last year. Per capita fees are slightly lower than last year's but the per capita fee taxes are right in line with the prior year
- VDL fees are running right about the same level as last year

2:15 PM Predator Control Aerial Hunting Payment Allocation

Evan Waters reported that the BOL annually approves Predator Control payments to three counties, Wildlife Services and payment for the insurance on the helicopters that Wildlife Services flies to do their predator work for the DOL:

- This year's helicopter insurance had gone down \$6,000 which meant that Wildlife Services and the three counties would be receiving more money. Total cost of the insurance for the year is \$20,700
- The three counties will divide up payments of about \$28,000

- Predator Control payment to Wildlife Services this year is \$301,000

MOTION/VOTE

2:16 PM

Nina Baucus moved to pay the helicopter insurance, along with predator control funds for three counties, and transfer the remaining funds to Wildlife Services for predator control work. Ed Waldner seconded. The motion passed.

Evan Waters said that a program will be put together to track where the monies the three counties receive is going and he will make the counties aware of that because MCA statute states an audit is to be done on the money they have received

Mr. Waters commented that although the VDL lab fees have increased, the number of tests done has not and so the lab fee numbers have remained much the same from year to year

MILK CONTROL BUREAU

2:21 PM

Report on June 25, 2018 Board of Milk Control Meeting

Chad Lee reported on the Board of Milk Control Meeting held the day before in Helena:

- Dairy Technomics, the consultant for the just-completed milk study presented their final report and took questions from the Board of Milk Control (BOMC) and the public
 - Sentiments of the BOMC and public were that the firm did a very good job and were a good firm to work with
- A survey from the BOMC was distributed to producers and processors regarding implementation of the study's recommendations
- Action was taken, however, on one recommendation of the study to amend the Class 2 and Class 3 price formulas. These amendments have only been proposed and have not yet been adopted in rule.
- All Class 2 price formulas would continue to be the advanced price formulas, mirroring the structure of the Federal formula, with the prices announced the month before the milk is produced and utilized at the plant
- Class 3 changes were
 - Skim milk price would be the lower of the Advanced Class 3 or Class 4 skim milk pricing factor and converted to dollars/pound
 - The butterfat formula would be the Federal-ordered advanced butterfat pricing factor minus the Montana Class 3 butterfat differential. Because this is such a significant price increase for Class 3 butterfat, it is being phased in and will be fully phased in by July 1, 2019
 - Even after full phase-in is complete and the Montana price is \$2.40, there still remains a 4% discount that will help retain a little bit of profit for the

plants and also to encourage development of cheese processing in the state

- Public comment on the proposed changes in the Class 2 and Class 3 price formulas end August 3, 2019 with a teleconference hearing scheduled on that date
- Mr. Lee cited estimated impacts of changing the Class 2 and Class 3 price formulas as recommended in the study
 - Producer revenue should increase by 3.5% - 4.4% based off the 2015-2017 analysis
- For processors, there is not much impact for them in terms of changing the Class 2 and Class 3 skim milk price; Class 2 butterfat price increase would be about 4%; Class 3 butterfat costs would increase 18% - 23.5%
- The BMOC reasons for implementing the Class 2 and Class 3 formula changes are
 - To implement recommendations from the milk study
 - Provide a transition period for increasing the Class 3 butterfat price
 - Replace the Class 2 and Class 3 price formulas with formulas that have structures reflecting what most milk in other parts of the country is priced off of
 - Address some specific characteristics of the Class 3 butterfat price formula that have caused that price to be substantially lower than Class 3 butterfat prices elsewhere in the country and have had the impact that the higher the price of butter goes, the greater the spread between the Montana and national price
 - To increase producer blend prices to be more similar to elsewhere in the US
 - Maintains having an advance price announcement so plants and producers will know ahead of time what the cost of milk is going to be
- Although the Class 1 price formula did not change, Mr. Lee said that possibly plants will try to re-negotiate some contracts because the overall cost of milk, averaging 2% butterfat, will have gone up if the proposed Class 2 and Class 3 price formulas are changed
- Ed Waldner suggested that the milk problems could be solved by having two pools, a Meadow Gold pool and a Darigold pool

ANIMAL HEALTH AND FOOD SAFETY DIVISION REPORTS

2:39 PM

2:39 PM – MILK & EGG BUREAU

Mike Honeycutt reported that he had told Dan Turcotte to bypass today's BOL meeting so he could prepare for another meeting he had in Great Falls with a top USDA regional inspector and also because he and Julie Armstrong at the Milk Lab were working out some issues with a processor in the state

2:39 PM – MEAT & POULTRY INSPECTON BUREAU

2:39 PM – General Information on Audit Results

Gary Hamel reported on the Federal audit that was just completed:

- Six establishments and the Helena office were reviewed with nine audit findings, but, according to Mr. Hamel, they were minor in nature, as they were not major food safety issues
- One establishment and the Helena office came through the audit with no findings
- Although not listed on the Federal audit, State personnel found multiple sanitation issues in a couple establishments, addressed them, utilized red tags to control equipment and/or rooms and will continue to step up attention when conducting establishment reviews, especially focusing on sanitation
- Mr. Hamel is anticipating an “at least equal to” designation, which will bring to a close the on-site audit and put Montana back in its normal audit cycle, with the next audit scheduled for 2020

2:44 PM – Report on Attendance at the National Association of State Meat and Food Inspectors Directors Meeting (NASMFID)

There were no questions regarding Bonnie Marceau’s report on her attendance at the, NASMFID meeting in Bloomington, Minnesota on June 11-12, 2018. Ms. Marceau is the Office Manager of the Meat & Poultry Bureau

Mike Honeycutt reported that DOL Legal Counsel, Rob Stutz, is working with the DOL Rule Writer to draft the BOL-approved Meat and Poultry Recall Process into appropriate rule language

- Concern was raised regarding the availability and make-up of the Recall Committee mentioned in the Recall Process, a list of members’ professions, not specific names

2:47 PM – VETERINARY DIAGNOSTIC LABORATORY (VDL)

2:47 PM – Request to Hire a Board-Certified Veterinary Microbiologist

Mike Honeycutt spoke for Dr. Smith as he was not present at the meeting, regarding his request to hire a Board-Certified Veterinary Microbiologist at the VDL:

- One of the AAVLD shortcomings noted in their most recent audit of the VDL was the lack of a Board-Certified Microbiologist. AAVLD considered not granting full accreditation because of this
 - Mr. Honeycutt said that veterinarians across the state have always expressed that we need to have an accredited lab if we expect them to use it
- The Veterinary Band 7 position salary for the position would be \$35-\$36/hour, and could be a budget-neutral position if the salaries of two vacant positions at the VDL were not filled, but combined into one position. Those two vacant positions, A PCR Tech and another tech position in the Histology section of the

VDL, one paying \$16/hr and the other, \$22/hr, would cover the salary of the Board-Certified Veterinary Microbiologist

- The new position would provide oversight and direction in the microbiology, virology, serology and molecular diagnostics sections of the lab
- The new position would provide oversight and direction in the serology section of the lab where brucellosis testing is done. Currently, a Federal USDA serologist is also helping in that section

MOTION/VOTE

2:57 PM

Sue Brown moved to approve the hiring of a Board-Certified Veterinary Microbiologist at the Veterinary Diagnostic Lab. Ed Waldner seconded. The motion passed.

Mike Honeycutt said that a decision had not yet been made on the hiring of a Lab Director, but some different ideas have been discussed regarding that position:

- The search continues to find someone with a similar education specialty to Dr. Layton's
- The possibility has been considered to hire a Business Operations Manager rather than a science specialty Director, a recommendation in the AAVLD's report back to the VDL and their analysis
- When Brian Simonson, the new Deputy Executive Officer, starts on July 9, 2018, he, Mr. Honeycutt and Dr. Zaluski will discuss the best direction to take in hiring a VDL Director

Ed Waldner commented, regarding Chad Lee's earlier presentation regarding Dairy Technomics' recommendation for changing the Class 2 and Class 3 price formulas: Mr. Waldner said that his comment regarding having two pools was not just his opinion, but was also voted on unanimously by the Meadow Gold board and the Montana Milk Producers board and members

RECESS

3:09 PM

RECONVENE

3:25 PM

3:27 PM – ANIMAL HEALTH BUREAU

3:37 PM – Western States Livestock Health Association Annual Conference Report

Dr. Tahnee Szymanski reported on the Western States Livestock Health Association meeting hosted by Montana in Big Sky, Montana, June 10-13, 2018:

- The conference consisted of business and educational meetings and a tour of the Flying D Ranch in Madison County
- One meeting included follow-up discussion on the Agriculture Response Management and Resources (ARMAR) and the recent FMD exercise held in Helena
 - Each of the six State veterinarians whose states participated in the FMD exercise had similar takeaways from it, including the sheer volumes of planning required, the importance of getting industry involved, the importance of a secure food supply plan and moving of food products
 - Some of the states that participated in the FMD exercise that have a higher concentration of industry, such as Kansas, Nebraska, Oklahoma and Colorado, are feeder cattle states whereas in Montana, we are more cow/calf operations, voiced the need to work together more on a secure food supply plan when stop movement orders are given so that the industry does not collapse in on itself at a certain point
 - How to rapidly depopulate infected herds, including, euthanizing, disposal and clean up became a primary topic of discussion, along with discussion of indemnification payments to producers for their infected herds
 - Mr. Honeycutt said he was surprised to hear of the number of positive TB herds still standing in some of the states because the producers could not come to an agreement on indemnity
- Montana's FMD response plan was written over 10 years ago and focused more on the actual disease response, but the realization was, after the exercise was completed, that there are many other things involved in a response besides that, including biosecurity, depopulation and protective equipment that need to be moved forward and updated
- The Newcastle Disease in California chickens at this point in time is not considered to be in commercial poultry but in backyard chickens in a densely populated area in the southern part of the state
- Horses, particularly those bred for racing purposes in Mexico, have been illegally smuggled into the US and are infected with Equine Infectious Anemia (EIA) or Equine Pyroplasmiasis (EP) or both. To help catch some of the diseased animals, most race tracks in the US have implemented testing requirements before being allowed on the track

4:00 PM – Wyoming Governor's Brucellosis Coordination Team Meeting Report

Dr. Tahnee Szymanski reported that the state of Wyoming is addressing their brucellosis area of concern:

- Voluntary testing was done in the area
- Cumulative elk data on the Wyoming landscape has been studied over the last several years and compared to where cattle populations are located during the risk period, which has caused a redrawing of the state's brucellosis area of concern

- This redrawn brucellosis area of concern will have regulation requirements that somewhat mimic what their DSA regulations are

4:02 PM – Statewide Vaccination Administrative Rule Change

Mike Honeycutt gave a report on his communication to stakeholders organizations regarding their thoughts on a required statewide brucellosis vaccination:

- Montana Milk Producers Association – no response at this point
- Montana Veterinary Medical Association – passed a resolution today in support of required vaccination in the five counties surrounding DSA but opposed a required statewide vaccination
- Montana Association of Livestock Markets – opposed to statewide but no response from Les Graham regarding five-county
- Montana Stockgrowers Association – policy position opposes statewide
- Montana Cattlemens Association – Jim Baker reports that he is in favor of that in breeding stock statewide
- Montana Farm Bureau – policy position is in favor of statewide
- Montana Farmers Union – no response at this point

Dr. Tahnee Szymanski reported that the proposed administrative rule, including notices for extension of the DSA, vaccination in the counties surrounding the DSA, import requirements for bison and several other rules requiring only “housekeeping” changes were filed with the Secretary of State’s office today and will open for public comment on July 6, 2018

Dr. Szymanski reported on the estimated cost of DSA testing to the DOL in FY18 to date:

- 62,000 tests have been done for DSA testing
- 20,000 of the tests were identified as whole herd tests (on-farm testing not required in the DSA)
- An additional 7700 tests were done, but it was hard to distinguish on the test chart if they were whole herd testing or testing for movement
- Reimbursement to veterinarians for ranch testing is \$7.69/test. These tests are not triggered by a movement or change in ownership and are not required in the DSA
- In addition to the testing reimbursement to the veterinarians, there is an additional \$2/head charge that can go to the producers
- If the DSA is expanded to the five surrounding counties, it could include around 10,000 additional animals to be tested, with accompanying reimbursement payments that, worse-case-scenario, could run around an additional \$100,000
- Dr. Szymanski is estimating that the expansion would not require any additional staffing needs
- It was discussed that approaching the Governor’s office or requesting monies from HB3 to cover the extra cost of added testing in the five counties surrounding the DSA might be something to consider as finding brucellosis-positive elk

outside the DSA was not expected and prompted the change to include the five counties in their entirety

- Dr. Liska has two educational meetings planned regarding the proposed expansion into the five counties surrounding the DSA, one is with a large grazing association in the area and another is a public meeting where he will try and cover producers who have cattle in those areas and inform them of how the expansion would affect them and their operation

BRANDS ENFORCEMENT DIVISION REPORTS

4:30 PM

4:30 PM – Request to Modify Position and Hire

Ty Thomas, Assistant Brands Administrator, said that Leslie Doely had requested he further explain her request from the previous meeting to modify and hire a Compliance Supervisor position:

- The supervisory position was vacated and filled for a time with an Administrative Assistant and has been vacated again.
 - The request is to fill that position again with a person in a supervisory role over the compliance staff
 - Until Fall of 2016, the position paid \$19.97/hour. When filled with an Administrative Assistant, the position paid \$18.50/hour at the time it was vacated in December 2017. When modifying the position by re-adding the supervisory responsibility, would raise it to an Administrative Support Supervisor Band 5 and raise the salary to \$23.19/hour
 - Mr. Thomas said that Ms. Doely and he had discussed cross-training the position to be able to substitute for any position in Brands if there was an absence of some kind
 - Currently, two temps work in the Helena Brands office and even if this position is filled, Mr. Thomas said that at least one would probably still remain to do data entry
 - It was decided to wait until the next BOL meeting to discuss the position again
- Mr. Scully informed those listening that the base salary increase has not been denied but continues to be worked on and will be addressed again after the end of the year

COMMENTS FROM THE PUBLIC ON NON-AGENDA ITEMS/COMMENTS FROM PRODUCER ORGANIZATIONS

4:49 PM

Mr. Honeycutt read a written statement regarding a proposed expansion of the DSA from Dale VenHuizen who operates a Hereford beef operation near Manhattan, Montana, called Churchill Cattle Company

- Mr. VenHuizen wrote that the possible expansion of the DSA to include all of Gallatin County would bring his operation into the DSA and negatively impact it

- He also stated that his operation sells a lot of Hereford females at an annual female sale each September in Texas, the most profitable part of his operation. With the extreme restrictions Texas puts on females from the DSA, including an extensive quarantine period and retesting after having their first calf in Texas, he said it would be such a headache for buyers that many would not buy from his ranch any more
 - His operation is a satellite center for Trans Ova Genetics, a company that collects embryos from his purebred cattle every two weeks. If his operation would be moved into the DSA, he said it could curtail greatly the collection and sale of embryos
 - Mr. VenHuizen pleaded that the DSA not be expanded beyond what it currently is
- The BOL discussed the misconception by some producers that expanding vaccination requirements is expanding the DSA
- The concern is that other states may perceive that expanded vaccination requirements into new areas means that those areas are in the DSA when they are not, and it may affect the marketability of livestock coming from those areas
 - Rancher roundtable meetings with DOL Animal Health staff should be held in the five counties affected by the proposed expansion to educate them regarding the new requirements and address their concerns
 - There are several states that require statewide vaccination even though there is no current risk of brucellosis, but the vaccinations can create more human exposure to the disease, especially from dairy vaccinations

Jay Bodner, MSGA Executive Director, spoke to the BOL:

- He thanked the BOL members, Mike Honeycutt and Dr. Zaluski for attending the MSGA mid-year meeting and providing education to producers and added that education regarding possible DSA and vaccination requirements expansion needs to continue
- MSGA's position is against statewide vaccination and the organization feels the trend regarding expansion of the DSA is not trending in the right direction but added that the situation is beyond the BOL's control and would require a long effort to turn it in the other direction

Chaley Harney, Executive Director for the Montana Beef Council, addressed the BOL:

- Ms. Harney thanked Mike Honeycutt for attending their meeting the week before
- Since the R-Calf lawsuit, the board of the Montana Beef Council made the decision to stop funding any promotion or education regarding beef in Montana
- Checkoff dollar collection will be maintained by the Council, and that is being made possible right now with reserve funding
- Only 5% of the consent dollars in the Council's estimated budget has been received and 95% of it is with the Cattlemen's Beef Board
- USDA has given permission to the Montana Beef Council to directly contact producers regarding beef check-off forms that producers can fill out and request each year that their check-off dollars remain in Montana rather than be sent to the Cattlemen's Beef program
- It was suggested that Ms. Harney talk to the Congressional delegation to amend the current statute requiring that the beef check-off form be filled out every year by producers to direct where their dollars are spent

SET DATE FOR NEXT BOARD MEETING

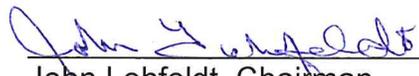
5:07 PM

The next BOL meeting was scheduled for August 2, 2018 after some staff and BOL discrepancies were discussed on other dates:

- Mr. Honeycutt reported that he would be at the Pacific Northwest Economic Roundtable on July 23rd-25th in Spokane, Washington
- The IBMP Bozeman meeting is scheduled for August 1st
- Brett DeBruycker said that the third week of July would work best for his schedule because of the upcoming harvest
- With the books closing on July 25th, Evan Waters said that he can have his financial report done by August 1st

MEETING ADJOURNED

5:11PM



John Lehfeldt, Chairman