

# STATE OF MONTANA

STEVE BULLOCK, GOVERNOR

DEPARTMENT OF LIVESTOCK  
PO BOX 202001  
HELENA, MONTANA 59620-2001



DEPARTMENT OF LIVESTOCK (406) 444-7323  
EXECUTIVE OFFICE (406) 444-9321  
FAX (406) 444-4316

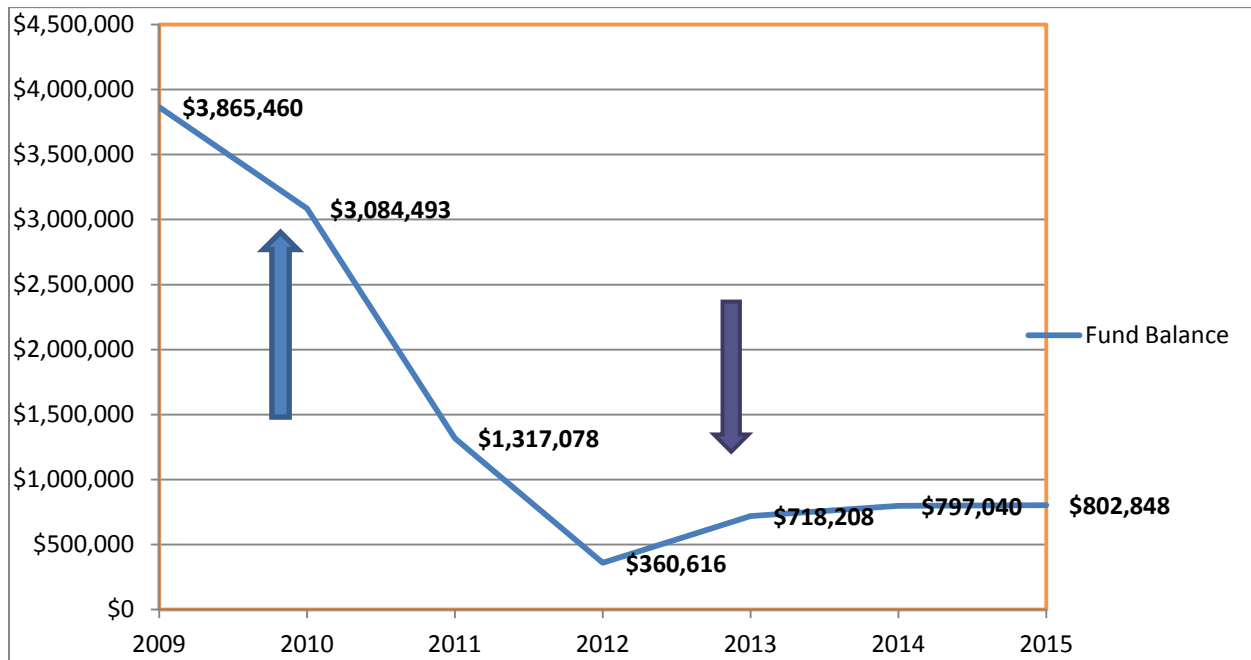
August 22, 2014

TO: Board of Livestock  
RE: Budget Subcommittee Review and Decision Document

The Budget Subcommittee held a webinar with industry leaders on Thursday, August 21. This document seeks to outline the information analyzed by the subcommittee and to define a decision document for the Board of Livestock.

The Department's cash balance has been in decline over the last five years, as the following graph shows:

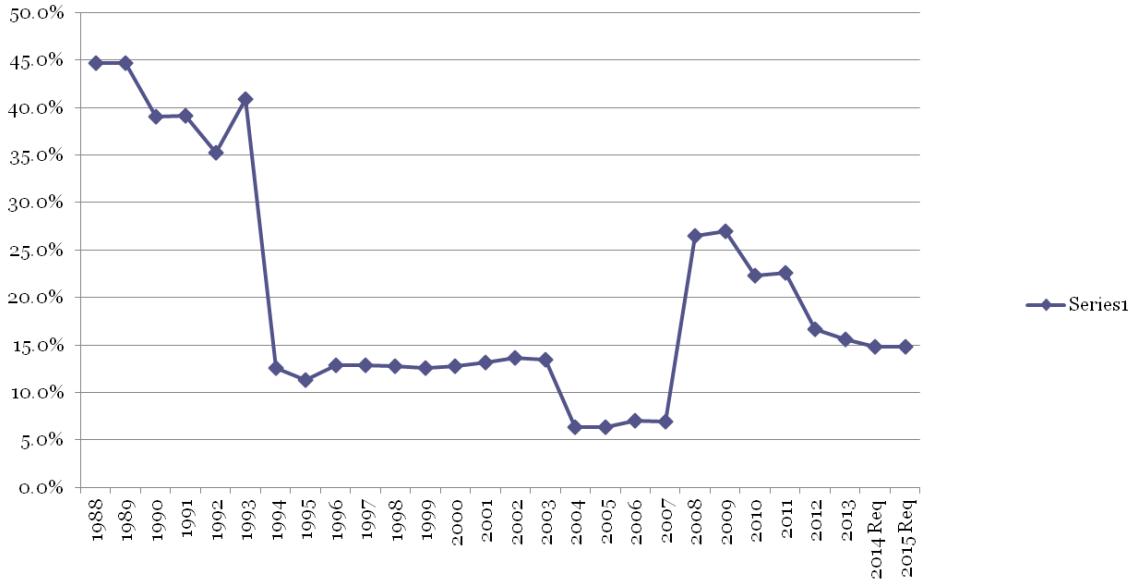
**Department of Livestock Cash Balance**



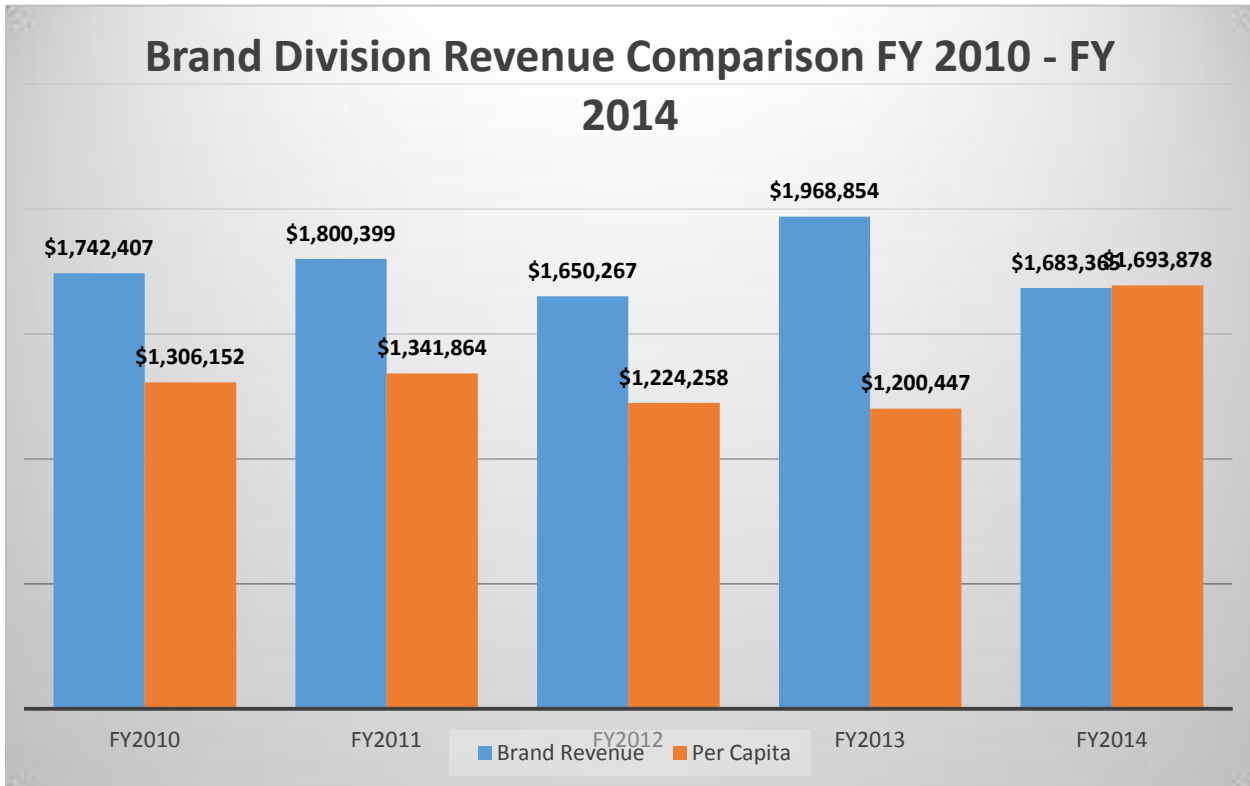
This reduction is due to three factors:

- \$1M in per capita expenses for brucellosis testing in the Designated Surveillance Area between FY 2009 and FY 2013;
- Declining general fund in the Diagnostic Laboratory between FY 2009 and FY 2013;
- Stagnant to declining revenue in the Brands Enforcement division in the face of rising costs between FY 2010 and FY 2013.

### General Fund Percentage of Diagnostic Lab Budget



### Brand Division Revenue Comparison FY 2010 - FY 2014



Recent increases in brand inspection fees, per capita fees and lab fees have not been sufficient to cover increasing costs. The Department is facing combined cash and spending authority deficit for FY 2015 of \$400,249 as the following chart details.

MONTANA DEPARTMENT OF LIVESTOCK								
FY 2015 Per Capita Authority Compared To FY 2014 Expenditures By Division								
DIVISION	FUND 02426	FY 2015 Authority	Statutory Predator	Adjusted Authority	FY 2014 Expenditures	Pay Plan Adj	Total Est.2015 Expenditures	FY 2015 Over/Under
CENTRAL SERVICES	Per Capita Fee	\$1,405,180	\$350,000	\$1,755,180	\$1,776,187	\$39,653	\$1,815,840	-\$60,660
LAB	Per Capita Fee	\$645,612		\$656,774	\$941,516	\$46,777	\$988,293	-\$331,519
ANIMAL HEALTH	Per Capita Fee	\$690,294		\$707,338	\$634,869	\$34,102	\$668,971	\$38,367
BRANDS	Per Capita Fee	\$1,781,201		\$1,786,227	\$1,730,119	\$102,545	\$1,832,664	-\$46,437
<b>TOTALS</b>		<b>\$4,522,287</b>		<b>\$4,905,519</b>	<b>\$5,082,691</b>	<b>\$223,077</b>	<b>\$5,305,768</b>	<b>-\$400,249</b>

Notes: This chart illustrates Per Capita Fee (PCF) funds only. It shows the amount of PCF budgeted authority for FY 2015 in HB2 the general appropriation bill and HB13 the pay plan bill. It does not include any carryforward authority. The Statutory Predator PCF authority of \$350,000 is added to Central Services where it is paid from. The Pay Plan analysis was projected by considering a 5% pay increase effective November 2014 and an \$81 per month increase in health insurance benefits effective January 2015. For discussion purposes, the entire pay and benefit increase was funded with per capita fee. It is possible that Lab or Brand Fees may pay a portion of the pay increase. This analysis is preliminary and requires thorough monthly review as both expenditures and revenues are actually realized as FY 15 progresses.

Adjustments must be made in revenue and expenses in order to meet the budget for FY 2015. The specific targets are as follows: Reductions in FY 2014 per capita expenditures must be made in the amount of \$177,172 in order to reach the Adjusted Authority of \$4,905,519 for FY 2015 (this Adjusted authority includes the 5% pay increase passed by the last legislature). An additional \$223,077 in cash must be raised or saved in order to fund the pay plan. These two numbers combine for the \$400,249 noted above.

The Subcommittee analyzed the following expense reductions through continued vacancies and personnel reductions.

Division	Vacancies	Reductions
Centralized Services	\$19,641.79	\$77,057.94
Lab	\$44,007.00	\$66,678.33
Animal Health	\$ 0.00	\$ 7,584.01
Brands Enforcement	\$29,158.58	\$106,434.53
<b>Total</b>	<b>\$92,807.38</b>	<b>\$257,754.81</b>

Vacancies are positions that were open for all or part of FY 2014 and would continue to be open for FY 2015. Reductions are all FY 2014 vacancies and positions that came open at the beginning of FY 2015.

This amount does not meet the necessary combined authority/cash target of \$400,000. If no fee increases are made, an additional approximately \$150,000 in cuts in currently filled positions would be necessary in order to balance the FY 2015 budget.

The Subcommittee also analyzed the following fees, taking into consideration when they could be implemented with regard to the administrative rules process:

	Currently	Raise to	Implement on	FY 2014 income	FY 2015 income	Difference
<b>Brand Inspection</b>	\$ 0.75	\$ 1.00	1-Nov	\$ 1,379,600.00	\$ 1,741,896.00	\$ 362,296.00
<b>Per Capita</b>	\$ 4,383,853.00	Max	1-Oct	\$ 4,383,853.00	\$ 4,539,748.00	\$ 155,895.00
<b>Lab fees</b>	\$ 997,344.36	5%	1-Nov	\$ 997,344.36	\$ 1,037,878.41	\$ 40,534.05
<b>Dealer License</b>	\$ 100.00	\$ 200.00	1-Dec	\$ 41,575.20	\$ 98,842.00	\$ 57,266.80
<b>Market licenses</b>	\$ 100.00	\$ 300.00	1-Dec	\$ 1,300.00	\$ 3,900.00	\$ 2,600.00
<b>Mortgage fee</b>	\$ 25.00	\$ 50.00	1-Oct	\$ 42,532.00	\$ 63,798.00	\$ 21,266.00
<b>Total</b>						\$ 639,857.85

Notes:

- Brand Inspection. If brand inspection fees are to be raised, this must occur immediately in order to capture necessary revenue from the fall run.
- Per capita. This is the maximum allowed by statute and complying with calculation methodology recommended by the Legislative Auditor.
- Lab fees. The lab cannot raise fees enough to cover its entire budget. Doing so would make the lab non-competitive with other labs and put it out of accreditation compliance with the AAVLD.
- Dealer and Market Licenses. These have not been raised in several years. Currently, the combined amount of these fees pays approximately half of the position that carries out that function.
- Mortgage fees. These have not been raised in several years.

Decision:

The Board of Livestock must decide on cuts and/or fee increases to meet its FY 2015 spending authority and revenue generation.