Montana Board of Livestock
Meeting Minutes
June 24, 2016
Capitol Conference Room #152
Helena, Montana

Board Members Present
John Lehfeldt, Chairman (sheep producer)
John Scully, Vice-chair (cattle producer)
Lila Taylor (cattle producer)
Brett DeBruycker (cattle producer)
Ed Waldner (swine producer)
Nina Baucus (cattle producer)
Sue Brown (dairy and poultry)

Staff Present
Mike Honeycutt, EO
Gary Hamel, Meat Inspection
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
Evan Waters, Centralized Services
Dr. Martin Zaluski, Animal Health

Public Present
Kraig Glazier, USDA Wildlife Services
Maggie Nutter, Marias River Livestock Association
Pat Murdo, Legislative Services
Katrina Bolger, POST
Gene Curry, Montana Stockgrowers Association

MEETING CALLED TO ORDER
7:59 AM

Chairman John Lehfeldt called the meeting to order at 7:59 AM

APPROVAL OF 4/20/16 BOL MEETING MINUTES
8:01 AM

Lila Taylor moved 5/11/16 minutes be approved. Nina Baucus seconded. Motion passed.

OLD BUSINESS
8:01 AM

Budget Review Committee Update
John Scully thanked Nina Baucus and Ed Waldner for participating with him in the BOL Budget Committee activity of a week ago and reported on some items discussed:

- Clarification was made regarding revenue gap and year-end budget estimation was reviewed showing several reasons DOL is in a better financial position than was thought in November and December of 2015– increased per capita, increased funds relative to Brands, success of Milk and Egg Bureau tightening of spending, expense management by spreading expenses across the entire Department.
- A 5/13/16 letter directed to Mike Honeycutt from the Legislative Audit Division informing him that the Legislative Audit Committee will be reviewing the brucellosis DSA area and DSA brucellosis management process. Mr. Scully commended Dr. Zaluski and his staff on their efforts in putting the DSA together and believes that when the Audit committee reviews it, they'll see it has been managed appropriately by the three veterinarians and their staff.
- The BOL had, at the last meeting, asked the Budget Committee to look at an increase in salary for those DOL employees not currently at 70% of market salary. After a Committee review of the impact of that with positive results, a vote was taken by the Committee to recommend instead to the BOL to vote at this meeting for an increase in salary to 80% of market for those same employees in this fiscal year.

MOTION/VOTE
8:08 AM
John Scully moved, at the recommendation of the Budget Committee, to move those employees as low as 50% of the 2014 salary survey study up to at least 80% of market increase in salary for this coming year and that the DOL team be instructed do all those things necessary to implement it when appropriate for this fiscal year. Nina Baucus seconded. The motion carried.

After concurring comments to the increase by other BOL members, John Scully reminded the BOL that the increase is a reoccurring expense and so it will be key for them to continue to propose it to the Legislature. Lila Taylor added that this speaks to people who work so hard out in the country doing the job for DOL. Nina Baucus thanked producers for supporting the per capita increase, which is part of the reason the DOL can do this.

Mike Honeycutt presented a spreadsheet showing which employees would be impacted by the raise and said that for the 61 employees currently at the 56.09% level, it would be around a $13,000/yr. raise for them to get to the 80% level. The vast majority of those employees are in the Brands Enforcement Division and out in the field.

George Harris added for the record that logistically it will be a procedural budget

process taken from this point. He said in HB2 is a language appropriation that Mr. Honeycutt had referred to for the $500,000. Mr. Harris said that a language appropriation control budget document will be implemented and he would submit that.

8:17 AM - Economic Affairs Interim Committee Update

John Scully thanked Nina Baucus for attending the Economic Affairs Interim Committee meeting and reported on items discussed there:

- The performance audit, a 2-year analysis of the Legislative Audit Committee, included key recommendations. The Economic Affairs Committee felt the per capita funds used for payment of the departing DOL Executive Officer was not appropriate. BOL did not concur in that finding, based upon discussion with legal counsel. Mr. Scully told the Committee that it is very unlikely this type of situation will occur again because the at-will circumstances the previous EO was under by contract were declared void according to a letter DOL received from the DOA attorney declaring the former EO be treated as a State employee. The Legislature then enacted a piece of legislation to meet the DOA criteria and by statute named the DOL EO position "a position at-will." The Committee recommended other sources of revenue they felt could be used for the remaining $84,000 payout due in July –
    - General Fund Money (Mr. Scully said the BOL Budget Review Committee did not feel comfortable with that recommendation because the general funds DOL receives are by Legislative intent directed to a particular activity)
    - A letter written to the Governor (A final draft is being prepared by staff for Governor's office consideration to cover the $84,000 payout and for unexpected retirement payouts during this fiscal year),
    - Estray Animal Fund (There is currently $53,000 FY16 funds available to add to the $34,000 from FY17 to make the final payout payment. George Harris said after checking with the accounting division, this is appropriate within our guidelines.)

MOTION/VOTE

8:28 AM

John Scully moved, at the recommendation of the BOL Budget Review Committee, for staff to do what is necessary to use the available Estray Animal Fund this coming July to make the final payment to the departing DOL Executive Officer and to make sure the employee was notified that withholding taxes will be taken out of that July payment. Nina Baucus seconded. The motion carried.

- The performance audit addressed brand rerecord unearned revenue. The statute requires that rerecord fees be used over a 10-year period. In years past, revenues were drawn out in lump sums, which left a balance problem at the end of the 10-year cycle. To end all that, the BOL Budget Review Committee recommends drawing out brand rerecord unearned revenue on a monthly basis.

MOTION/VOTE

8:32 AM

John Scully moved that the DOL draw brand rerecord unearned revenue funds out on a monthly basis rather than in lump sums and concur with the recommendation of the Legislative audit. Nina Baucus seconded. The motion carried.

- The performance audit addressed other unearned revenues. Mike Honeycutt added that new brands and transfers and mortgage renewals are all unearned revenues amortized over a period of years. Even though they were not mentioned in the audit specifically, there was a heads up given in the report that other potential future audit findings were there, and so the BOL Budget Review Committee decided to deal with those issues now. Adding those extra unearned revenues to the brand rerecord unearned revenues, brings the total payback of funds needed to keep the account solvent until the end of the period (12/31/21) to $258,887.

MOTION/VOTE

8:36 AM

John Scully moved that the DOL draw all unearned revenue funds out on a monthly basis rather than in lump sums to concur with the Legislative audit. Lila Taylor seconded. The motion carried.

MOTION/VOTE

8:39 AM

John Scully moved that the DOL direct staff to commence the payback process for all unearned revenue funds and do that as soon as practical, based upon the DOL's financial circumstances. Nina Baucus seconded. The motion carried.

- The performance audit also addressed the estray animal net proceeds and the manner in which those funds were being accounted for. Differing opinions were given to DOL regarding how to account for those funds – one opinion from the Legislative Audit and one from a DOA document, received by the DOL on June 15, 2016 stating that the way the DOL had been accounting for those funds was appropriate and might even be preferred to the manner in which Legislative Audit suggested DOL to account for the funds.

  George Harris said that the DOA document has been provided to the Legislative Audit staff and they are reviewing it. DOL will have a future meeting with both Legislative Audit and DOA to come to an agreed decision of how DOL should account for those proceeds in accordance with MOM manual 302 or MOM manual 392.

Nina Baucus requested a copy of the DOA letter and Lila Taylor requested a copy of the audits. George Harris said both would be provided.

- John Scully reported on the VDL discussion at the Economic Affairs Committee Hearing and the Legislative Audit Meeting. He complimented Mr. Harrington's comprehensive job reviewing the Lab's activity. The Economic Affairs Committee had asked MSU to address the Committee regarding the Lab.
    - The DOL concurred with the Economic Affairs Committee that the VDL building be replaced.
    - A performance audit review showed that the retail prices for tests the Lab uses were within the parameters of labs in other states. The Legislative Audit Committee said those fees should be reviewed on a regular basis. The BOL Budget Review Committee decided it should be done on an annual basis, relative to retail pricing, starting in September 2016. DOL staff can schedule that.
    - The Economic Affairs Committee recommended, based upon the performance audit, that the following things be accomplished before the next Legislative Session and the Legislative Audit Committee be notified with the timetable of accomplishing these things:
        - ✓ A comprehensive cost structure analysis of the Lab needs to be done to understand what true costs are, including the percentage of work done at the VDL for public health benefit. Staff can follow up on who best to do the cost analysis as quickly as possible, whether an MSU graduate student, a credentialed party or someone else.
        - ✓ The DOL try to stabilize the per capita funding contributed to the Lab Budget.
        - ✓ The DOL do a biennial review of the Lab's cost structure
        - ✓ The DOL do an annual review of the Lab's pricing structure
        - ✓ The DOL needs to report the zoonotic and other diseases dealt with in the Lab in regards to public health
    - The Economic Affairs Committee said that the vendor who was fully paid for an IT system that has still not been fully functional, needs to be held accountable to fulfill their end of the contract of getting the system fully functional. Staff needs to follow up on this.

Mike Honeycutt clarified that audit reports are not available to the public until they are printed and ready to go to Committee. The current financial and Lab audit reports are now public information and are posted on the State of Montana Legislative Audit site. He also said it became clear in the audit report that the per capita fees and general fund need to be stabilized. Mr. Honeycutt stressed the importance of protecting general fund for the VDL and Milk Lab and how the BOL and DOL, along with the industry, need to work hard for general fund at the next Legislative session.

Nina Baucus complimented and thanked Mike Honeycutt and John Scully for their work in preparing to appear before the Legislative Audit Committee. She requested that the DOL respond back to the Legislative Audit Committee and the Economic Affairs Committee regularly regarding how DOL is addressing their recommendations from the audit and added that they need to move forward in addressing those recommendations

as quickly as possible.

9:10 AM - Milk Assessment Issue Update
John Scully thanked industry leadership that came to the Milk Rule work sessions and to the last BOL meeting, especially Krista Lee Evans, Montana Milk Producers Association and for her appearance and testimony at the Economic Affairs Committee meeting. Explanation was made regarding the handout that listed the proposed Milk Rule that would go into effect in July 2016 if passed.

- Minimums are at $50/month; Maximums at $1050/month – No change from current rule
- There is no increase in the gross number of dollars requested in this coming FY, but it does include people that were not included in the current rule. They were already listed in the current statute, but it was not fully adhered to. 72 licensees would be affected by the rule, 64 of them are dairies who would see their fee go down by 1.5 cents/cw, but processors who had not been paying a fee prior to the proposed rule, would now be paying a fee.
- If the Legislature does not provide any or less general fund dollars there may have to be an increase in fee structure because the current statute says that fee structure of the Milk and Egg inspection program and the Milk Lab must be commensurate with the operation of the two.

Mike Honeycutt said that up to this point, only one public comment was received on the proposed Milk Rule, but it appeared to be a comment on last fall's proposal, not the current proposal.

John Scully said that depending upon the content of the responses to the proposed Milk Rule by the end of the comment period, staff could make a decision as to whether or not the BOL needs to have a conference call the first part of July to take action on it, as was discussed in the Legislative Finance Committee meeting.

9:26 AM – Attorney General Bison Update
John Scully reported on a May 19, 2016 letter of advice received from the Attorney General's (AG) office with advice regarding DOL bison disease management. Mr. Scully said, as requested in the letter from the AG, that he reported to the Economic Affairs Committee, covering with them five or six different aspects of the letter to connect to the statutory obligations of the DOL. It appeared to Mr. Scully that the DOL may need to develop some plan or idea to present to the Governor in the future.

Mike Honeycutt reported on his June 23, 2016 followup meeting with AG staff regarding that same letter and some additional topics that were discussed:

- When AG staff asked Mr. Honeycutt if the DOL wrote and submitted a bison management plan to be approved by the Governor, he shared with them that the DOL currently does bison operations under the adapted management of IBMP, and that it was interpreted by the DOL that the IBMP served as the Governor's plan for the state. Mr. Honeycutt felt the AG's office would be researching

whether the IBMP serves as the Governor's plan for the state, which would then absolve the BOL from approving a plan and submitting it to the Governor.

- Mr. Honeycutt asked the AG staff who carries the legal responsibility of authorizing tribal and public bison hunts – FWP or DOL, as statute says the State Veterinarian or the DOL can authorize public hunts. Mr. Honeycutt told the AG staff that Dr. Zaluski, as State Veterinarian, has provided authorization letters to FWP, who set up the rules for those hunts as a method of population management and control, but he believes that there is a difference in public and tribal hunts and that BOL responsibility by statute, only covers public hunts.
- Mr. Honeycutt asked the AG staff about a question that had come to him from industry regarding the statutory obligation of the State Veterinarian that says bison cannot be imported into Montana unless they are certified brucellosis-free. He told them that with year-round tolerance there are some bison crossing state lines and taking up residence in Montana and that it is very unlikely that the DOL could certify those bison brucellosis-free. The AG's office says that law references "managed movement," and imported animals do not include those coming across state lines on their own who are naturally migrating.

9:35 AM – Interagency Grizzly Bear Meeting Update

Nina Baucus reported on the 2-day Interagency Grizzly Bear Committee (IGBC) Meeting held earlier in the week at Bonner's Ferry, ID. She had not attended the meeting, but said that her understanding was that the IGBC feels the DOL should continue to have a presence at the Northern Continental Divide Ecosystem Grizzly Meeting, but not at the IGBC. There was a concerted effort going to be carried out by Ken McDonald, Montana FWP, suggesting that the IGBC had served its purpose and should disperse.

PUBLIC COMMENT

9:37 AM

Maggie Nutter, rancher and President of the Marias River Livestock Association (MRLA), reported on her attendance at the IGBC meeting held in Bonner's Ferry, ID earlier in the week:

- Discussion of the role of the IGBC, their MOU, their 5 yr. working plan and their charter – documents are all available on their website.
- Ken McDonald, MT FWP, brought forth that IGBC is no longer instrumental in delisting as the subcommittees created a conservation study independently and there was no approval vote needed by the IGBC. There was a lot of discussion that the conversation, interaction and the sharing of ideas is very important also the perception that there is an oversight of these committees by the public so that the grizzly bear can remain protected. Public perception is important, mostly to the NGOs.
- Ken McDonald brought up that in the past, the delisting was supposed to happen in 2014 for the NDC and then was held up and the conservation plans made and then put on hold because the delisting criteria number was held up by the Federal government. Therefore, they couldn't really move forward because

without that number to manage for, how can you manage for it. That seemed to be resolved. They will have that by winter meeting if not before. Those things will be worked through and Ms. Nutter said that she sees it moving forward much faster at this point.

- It was brought up by Mary Erickson, U.S. Forest Service Supervisor of Custer Gallatin National Forest, that the tribes would like to be represented on the IGBC. Rick Holstein, MT BLM, explained that due to their sovereign nation status, the tribes did not wish to have any one person or one position representing them on the IGBC. Each tribe would like to have a representative, just as each national forest or national park does. That would add 10 members to the IGBC. It was decided that the tribes were better represented at their ecosystem levels.
- Approximately 50 tribes have joined together in a coalition called GOAL that opposes the delisting of grizzly bears. The bear has spiritual meaning for them and should only be killed if a person needs protection or if an individual needs to gain strength in the time of need. The tribes oppose hunting of the grizzly bear for sport. They consult directly with the Federal Government about delisting. They have counsel over their reservations and over their aboriginal rights covered in the treaties and the lands that are covered in that.
- Ms. Nutter said that the MRLA sees in the future in the Yellowstone, an MOU between the three states about the mortality rate of the grizzly bear and how that affects hunting regulations. In the future, as part of the delisting process, the Northern Continental Divide Ecosystem (NCDE) will need to have to have an MOU between the state of Montana, FWP, the Blackfoot Tribe, and the CSKT. That will be another hurdle to face.
- Ms. Nutter said she presented at the meeting the reasons the DOL would like to be included in the IGBC:
    - The benefits of receiving direct information from the Committee – receiving the same information packet to help understand where the delisting was happening and the status.
    - The ability of the DOL to speak timely as a peer at the table, being versed at the end of the day, and the public comment period, presenting concerns brought forward by farmers and ranchers (that doesn't happen that much).
    - Helps to fulfill the obligation of the DOL that is laid out in the MCA for livestock predator protection.
    - To build a relationship with state and federal agencies whose management decisions will affect the agriculture community.
    - The common goal of the DOL and IGBC is to prevent livestock depredation. Management removal of grizzly bears is a huge part of the grizzly bear mortality. Preventing livestock depredation basically prevents grizzly bear removal. So, it is a very solid, common goal that will be continued, because in the five years after delisting, bears will continue to be monitored. Management is very key in order to keep the grizzly bear delisted once it is delisted. It will be a little more sensitive than with wolves, because grizzly bears don't populate as fast. There seems to be quite a bit of public concern

over that. The public would like monitoring to be continued onsite for five years at a minimum. There is no maximum cutoff date. Some of the NGOs are requesting that there be three six-year reports. So, for 18 more years they would like to have some sort of federal oversight, which our state does not believe is necessary. Ken McDonald expressed he believes the state could manage things on their own.

- Part of the report on the NCDE from Jim Williams, the Chairman of the NCDE subcommittee, mentioned that bears were causing agriculture disruption and human safety concerns. Jim Unsworth, Chair of the IGBC, also asked that two hours of the winter meeting be dedicated to reporting and discussion of grizzly bears on working lands and human safety with the theme of emerging problems on emerging landscapes. They really recognize that grizzly bears perhaps out on the prairie and in other places aren't appropriate. Ed Schriever, Deputy Director, Idaho Fish and Game, asked in discussion what a reasonable amount of bear population is on working lands, considering public tolerance. He asked that the IGBC science team be tasked to determine what is appropriate on working lands vs public lands, such as parks and forests.
- Chris Smith, Western Field Representative, Wildlife Management Institute (WMI), is contracted by the IGBC to make videos. They are considering making videos that concern farming and livestock issues rather than just hunters and recreational hikers with bear spray. The educational videos would address agricultural issues with the grizzly bears.
- Ms. Nutter brought forward the issue that OSHA could also become a problem. She called the OSHA office in Billings and was told that anytime there are under 10 employees, agriculture is exempt. But, if there are over 10 employees, agriculture then falls under OSHA. Although she was told they have not seen much of any of that, a lot of it falls under civil suits, if there was to be a grizzly bear mauling. But if there are over 10 employees for any business, it falls under OSHA. If it is a recognized hazard, there has to be appropriate training. So, in cities and counties that now have people responding to grizzly bear issues, or say on the golf course where people would get into a golf cart and chase grizzly bears off a golf course, if they did not have appropriate training of how to handle grizzly bear conflict, there could be OSHA fines. She feels this needs to be looked into by our industry and by the cities and counties that will have people dealing with bears in their parks and on their golf courses, because obviously that could become an issue.
- Ms. Nutter said she brought up proper education in the colonies because the bears are so thick there. The colonies have just been left hanging. The people in the fields, the livestock workers, the women and children in the gardens, all need appropriate training on bear conflict and on bear spray. Also, with the increase in free-range chickens, that's bear popcorn right there. The Livestock Loss Board does not cover poultry at this point. For the guy with six backyard chickens, that's not an issue. But if you have a free-range chicken operation of 30,000 chickens, and a grizzly bear should come in, when they were all enclosed, that

probably wouldn't be an issue. Perhaps with a chain link fence that would surround most of those, it won't become an issue. But, Ms. Nutter thought it should be looked at prior to that, before it becomes a wreck.

- It was suggested by Jenna Fortun, the person in charge of the IGBC July meeting in Missoula on the habitat for the NCDE, that DOL contact her and supply testimony at that meeting or at least written testimony. Ms. Fortun had tried to contact the livestock industry, but the only email address she had was for the Montana Cattleman's Association. Ms. Nutter will be collecting information from MSGA and others for that meeting, due to Ms. Fortun by July 7th. It is coming right up to the time to apply for a 10-minute slot of time at that July meeting. Ms. Nutter will work with Mike Honeycutt on getting that done.
- Ms. Nutter does not see DOL on the IGBC, but sees them working with their subcommittees. In retrospect she sees it causing the growth of that Committee to a large number.

RECESS
9:49 AM

RECONVENE
10:06 AM

NEW BUSINESS:
10:06 AM

Montana Public Safety Officer Standards and Training (POST)
Mike Honeycutt expressed the need for a lot of catchup to be done in the DOL to provide proper training, consistency and uniformity for employees in the field. Mr. Honeycutt said that he and Leslie Doely had recently been made aware of some changes in policy and procedures that gave clarity on which field positions in the Brands Enforcement Division are considered "civilian" and which positions require POST training and certification as a sworn officer with arrest authority, to be in compliance with those policy and procedure changes. Statutorily, the BOL designates who needs to be a sworn officer in the Department, and because of that, Mr. Honeycutt brought in Katrina Bolger, paralegal investigator for POST, who brought handouts and spoke on behalf of POST Executive Director Perry Johnson, to make the BOL aware of the changes and answer any of their questions.

- Katrina Bolger explained that POST is a quasi-judicial board, administratively attached to the Department of Justice and created by statute that sets the standards for the Montana Law Enforcement Academy.
- MCA statutes 44-04-401 sub 2c and 46-01-202 sub 17 define "peace officers" or "law enforcement officers" (as DOL statute refers to them) basically as anybody who can make an arrest by virtue of their office. These statutes pertain to DOL Brands Enforcement Division inspectors who will be appointed as "law enforcement officers."

- To attend the Montana Law Enforcement Academy, a person has to already be a bonafide "law enforcement officer" or a sworn "peace officer" who can carry a gun and a badge and can make an arrest. MCA statute 81-01-201 vests the BOL authority to appoint those officers as "law enforcement officers" to give them the authority to arrest and they would fall under the "peace officer" definition.
- A new POST administrative requirement for all public safety officers in the State of Montana is that they must have 20 hours of continuing education every two years that includes an ethics training, to maintain standing with POST and to continue their employment as a "public safety officer."
- According to POST administrative rules, to be eligible for an award of a POST basic certificate, an officer must attend and successfully complete a basic post-approved academy within one year and be a "public safety officer" for one year (a continuous year with one employer).
- If a "peace officer" has a break in service for more than five years, they must re-attend basic. If the break in service is for more than three years, they must attend an equivalency course.

Mike Honeycutt added to Ms. Bolger's presentation, saying that there are several DOL law enforcement employees in the 55-60 years of age range that may be required to go back to training.

BOL comments were that the Board needs to be careful who they choose to send to the Academy to be sure it is worthwhile and that there need to be certain pre-requisites before hire for DOL employees in law enforcement positions.

10:32 AM – FWP Trapping Season Update

Quentin Kujala, FWP Helena Wildlife Bureau Coordinator, said he came representing FWP and Director Jeff Hagener. Mr. Kujala restated a previous conversation he had with Mike Honeycutt regarding FWP's work with the Fish and Wildlife Commission to set annual trapping season regulations. The FWP received a petition from the Natural Resource Defense Council (NRDC) requesting three things regarding the regulations for the upcoming trapping season:

- Prohibit neck snares
- Restrict the use of M 44s, the cyanide delivery device, that is often used by Wildlife Services for predator control
- Implement a 24-hour trap check

The Commission denied the NRDC petition, directing them to the BOL as a user and another authority board for M44s and neck snares. Mr. Kujala invited the BOL to the Fish and Wildlife Commission meeting on July 13, 2016 to address the NRDC petition and use of M44s and neck snares by the Department of Livestock. John Steuber, Wildlife Services, will be attending that meeting by phone.

Kujala mentioned another item on that July 13th meeting agenda is set backs on public routes on public land, requiring moving traps away from the travel routes to avoid conflict with other users of those trails. Rules are already in place for fur bearers, but

FWP is proposing to include predators in those traps as well.

Nina Baucus said both the BOL and DOL have a vital interest in these issues and as an industry and for communities, said we cannot afford for Wildlife Services to lose any more of the tools used for predation, including M44s or neck snares.

DIVISION REPORTS

10:51 AM

10:51 AM - Milk and Egg Bureau

Mike Honeycutt provided the Milk and Egg Bureau update for Dan Turcotte:

- The budget review shows the Bureau is doing a good job managing in their financial situation.
- New Milk Rule passage would bring forth the ability for Bureau to fill a long-vacant FTE
- Bureau spent a week at Meadow Gold in Great Falls, completing state BTU ratings for FDA compliance work. Inspections in those facilities went well.
- Bureau is still working under some biosecurity precautions put in place last year after a High Path Avian Influenza (HPAI) outbreak. This limits egg producer visits to a maximum of three/week.
- After attending the Western Dairy Association Meeting in Great Falls a few weeks ago, Mike Honeycutt also visited the Egg Plant and met with staff.

10:55 AM – Livestock Loss Board

George Edwards thanked Maggie Nutter for her representation of the livestock industry at the IGBC meeting in Bonner's Ferry. He provided handouts for his LLB update:

- Figures on handouts should be 2/3 larger than shown because only about a third of the livestock depredation claims have come in so far.
- Grizzly Bear depredation payouts are five times the number than at this time last year
- Wolf depredation payouts are double the number than at this time last year
- The carryover fund and funds not used in previous years will be the ones to cover the high predation of this year.
- Pat Connell, MT legislator from Hamilton, has been approached by MWGA to reinstate HB622 (expires 6/17/16), which established the $200,000/yr. statutory appropriation for the LLB. Mr. Connell put in a request for $300,000 because the previous amount will not be enough to cover the losses.

11:01 AM - Predator Control

Kraig Glazier of USDA Wildlife Services gave updates for Wildlife Services and State Director John Steuber:

- At last month's USDA Wildlife Services National Feral Swine Program Training in Utah, Kraig Glazier was told that MT BOL and MT FWP have been recognized by the National Program for having the forethought of eliminating the incentive to have feral swine in the state which is through hunting and monetary gain of that species.

- Feral swine are now fairly close to the Montana border and Wildlife Services will be watching for rooting activity, tracks and early detection of them. If feral swine are found in Montana, federal funds will be available to minimize damage, either from disease or physical damage.
- Wildlife Services is preparing for a State review in July and reviewers may come and meet with DOL.
- M44s are regulated by EPA and the MT Department of Agriculture and to be certified for one, you need to be tested as a private applicator.
- Predation calls regarding livestock are investigated by Wildlife Services; predation calls that occur in town are investigated by FWP.
- Wildlife Services specialists are spread quite thin with grizzly bear incidences across the state and at times there are not enough grizzly traps to cover calls. By State statute, Wildlife Services must investigate wolf and grizzly bear kills, which take priority over coyote kills.

BOL comments were that the general public does not care about livestock, and it seems there is more preference towards the tourism industry in the State. The DOL may need to work with the Department of Commerce to make both happy.

11:15 AM – Brands Enforcement Division

Leslie Doely gave updates for the Brands Enforcement Division:

- Tyler Thomas, currently the District Investigator in Lewistown, was hired as the new Assistant Brands Administrator and will start on June 27, 2016.
- Pat Anderson, the District Investigator for Rosebud, Treasure and Garfield Counties, will be retiring next week.
- The Division is currently at 7 FTEs vacant.
    - Anderson's District Investigator position will be opened as a Market Inspector in Miles City in July.
    - Thomas' Lewistown District Investigator position will open next week.
    - The Sidney and Glendive District Investigator position received no qualified applicants, so it will be reopened.
    - The Glasgow Market Supervisor position remains open as no qualified application has been received.
    - The Flathead District Investigator position will be put temporarily in the Miles City livestock market to help alleviate any issues that are created by a possible retirement in October. That position will go back to the district in the winter.
    - The vacant Cattle Inspection Compliance Technician position in the Helena office will be reclassified when opened in July to include backup brand recorder duties.
    - A number of short-term worker positions for the markets will be used for fall run and will be opened in a few months. They are limited to 90 days, limited in number of hours that can be worked and have no benefit package. A ¼ FTE short-term worker in the Helena office should start next week.

- Leslie said she would send info once a week to the BOL members, keeping them apprised of any personnel changes in the Brands Enforcement Division.
- An out-of-state travel request was made for two Brands Enforcement Division staff in July to fly to and attend the International Livestock Identification Association Conference in Fargo, ND, a conference staff typically attends each year.

MOTION/VOTE

11:24 AM

Brett DeBruycker moved that the BOL fly two Brands Enforcement Division staff to Fargo, North Dakota to attend the International Livestock Identification Association Conference in July. Ed Waldner seconded. The motion carried.

- Mike Honeycutt complimented Leslie on the job she is doing in her position as Brands Administrator and mentioned that the Economic Affairs Committee singled her out for commendation.
- Leslie said she would leave the decision as to whether or not she needs to go through POST certification up to the BOL and is fine with whatever decision they make.

11:28 AM - Veterinary Diagnostic Lab

After a request by BOL Chairman John Lehfeldt, Dr. Bill Layton gave his thoughts on how to best assess VDL costs, especially when it comes to presenting that information at the next Legislative Session:

- Dr. Layton said the DOL needs to meet the auditors' recommendation to establish Lab fees in a more transparent and business fashion. Although cost analyses of the Lab have been done in the past, Dr. Layton said he has alerted his administrators and staff to be ready for that process again because it is a slow process, especially having to assess the 100+ tests the Lab does.
- Dr. Layton does not feel that having a grad student do a Lab assessment and then present it before the State Legislature is a good idea, and he would like to see someone more trained to go before the Legislature.
- Dr. Layton said it is common knowledge that the VDL is important for the public health of the state. The formula he used to calculate that 41% of VDL tests were for public health, for the Economic Affairs Committee report, does not take into account what the costs or percentage of tests would be if an infectious disease outbreak suddenly overtook the state.
- Dr. Layton feels that VDL equipment and operations should be paid for by fees and personnel, the VDL's most valuable asset, should be set and established monies, paid for by general fund and per capita.

- Dr. Layton wants to prepare for retirements by providing time for training of backups well before those retirements occur.
- With Montana State University making it clear at the Economic Affairs Committee meeting that they did not want to put money into the building where the Milk Lab and VDL are housed, Dr. Layton provided information to Nina Baucus and Lila Taylor regarding the needs of a lab if a new Lab were to be constructed. Mr. McEwen was given that info and a report should be ready by the next BOL meeting with information showing the cost of a new lab complex.

RECESS FOR LUNCH
11:52 AM

RECONVENE
12:30 PM

DIVISION REPORTS CONTINUED:
12:30 PM

12:30 PM - Centralized Services Division

Cash Balance Projections for 2016
George Harris, Centralized Services Division, stated that FY16 books will close around July 20, 2016. He gave reasons as to why the fiscal posture of the DOL has shifted to a much better outlook:

- At the request of BOL, administrators and managers decreased expenditures and increased revenues in the following ways:
  - Delaying computer purchases
  - Leasing rather than buying vehicles
  - Brands Enforcement fees raised
  - Per capita fees were raised three times
  - Lab fees were adjusted in the VDL by 5%.
  - FTE reductions – 4% vacancy savings used; positions taken from Brands and Centralized Services
  - Fund switch at the VDL – Action of the Legislature and the Administration to put $910,000 into the general fund which helped in the efforts to fund the DOL.
- DOL Revenues
  - Department-wide projected net increase in per capita revenues from FY15 to FY16 of $1.2 million, and a FY16 ending projected per capita fee fund balance of $2.4 million.
  - **Milk Inspection and Milk Lab** - $55,000 per capita fees, originally allocated by the BOL for a computer system for milk inspection will be used, per BOL direction and budget authority, to cover milk program

expenses for FY16, leaving the milk program with a projected FY16 net increase of $83,300.

- **Brands Enforcement Division** – The FY16 ending projected cash balance of $1.073 million, compared to a FY14 ending projected cash balance of –($400,000) was a positive picture for the Brands Enforcement Division.
- **VDL** – Lab Fees vs Lab Expenses provided a FY16 net increase of $2,480.

State Special Revenue Collection Comparison

- **Brands Enforcement Division** – It appears that the increase in Brands fees increased revenues by $297,000 between FY15-FY16. The Brands funds projected for FY16 revenue will be at $2.7 million. Mike Honeycutt pointed out though, that if more animals moved through the market this year, they won't be there for per capita next year, and so there may be some adjustments to make in per capita for FY17.
- **Total per capita fees** set by the BOL and expected to be received by the DOR for FY16, are $4.644 million. As of June 30, 2016, the total per capita revenue spendable by the DOL in FY16 is projected to be $4.9 million.
- **Animal Health Lab** FY16 fees are holding their own, showing $6,884 more than in FY15.
- **Milk Inspections** for FY16 compared to FY15 are down $29,000 due to the loss of dairies.
- **DOR per capita fee collection** for tax year 15 compared to tax year 16 show a livestock head count reduction because of a delay in owners returning their head count reports. The DOR continues to work on their new system, and George Harris believes that they will finish those collections for 2017. The DOR offset fees collected to this point are $10,500.
- Mike Honeycutt said that he and Leslie Doely have been working with the DOR on a program to help identify folks who have livestock but do not pay per capita fees. A handout, put together by the DOR, has already been distributed to DOL district investigators and markets, and possibly another one will be distributed to veterinarians in the future. Although Mr. Honeycutt feels we need to do more promotion, regulating and marketing, he is cautious about not violating the statute on self-reporting.
- Mike Honeycutt said he was told there is a Legislative bill coming this session that will remove bees from the DOL. The bee program brings in around $20,800 to the DOL each year.

Expenditure Projections 2016

- George Harris said that CSD will be doing budget control documents to mitigate DOL payouts within State budgeting rules and guidelines by FY end.
- **CSD** was hit pretty hard with –($124,000) in payouts, but by holding back expenditures in operating costs, it was projected that those expenditures would be brought down to -($25,000) in FY16.

- **Milk Control Bureau** has a positive $9000 in operating expenses and has what is needed to do any adjustments.
- **LLB** is projected to be operating in the positive in FY16 by $2,828.
- The **VDL** will be negative by –($85,000) due to a retiring employee payout. Had it not been for the retirement, the FY16 Lab budget would have been positive by around $2,000. Mike Honeycutt said that starting this FY, adjustments in projections will be made for possible retirement payouts.
- The **Milk Lab's** authority for FY16 is $23,000 that has not been expended.
- The **Animal Health Division** is short –($12,000) in personal services, although the operational expenses are $42,000 to the positive. A FY-end adjustment will be made to balance those numbers.
- The **Designated Surveillance Area** (DSA) funding comes from general fund dollars. Testing is projected to be light the remainder of the fiscal year, but an $84,000 general fund budget is projected for FY16.
- Federal budget monies from HB2 finance the **Federal Animal Health Disease grants in the Animal Health Division**. The $217,000 projected budget will be spent by March, the end of the grant year, not the State fiscal year.
- The **Alternative Livestock program portion of the Animal Health Division** appears to be a program in decline in terms of expenditures, showing that only half of the budget has been spent.
- $205,000 of authority is projected for the **Milk and Egg Bureau** program.
- **Milk and Egg Bureau's Shell Egg Inspection** is basically a reimbursement program and is $4,000 to the good in FY16.
- The **Shielded Egg Grading program of the Milk and Egg Bureau** is projected to have $43,000 of authority.
- **Brands Enforcement Division** funds of $123,000 in personal services to the good are planned to be used for mitigation throughout the Department. $291,000 is the projected budget for FY16.
- Overall, the **Meat inspection program of the Meat and Poultry Inspection** Division is projected to have over $150,000 in authority for FY16. Except for license fees, half of those monies are Federal dollars and half are general fund dollars.
- The Budget Office requires the DOL as they go into FY17 and prepare for FY18-19, to have a standard budget in place.

Brands Enforcement Division Rerecord Cash Adjustment
The actions taken in the morning by the BOL to draw out the 10-year brand rerecord unearned revenue on a monthly basis rather than in lump sums, should address the unearned revenue problem once and for all.

Pay Adjustment to 80% of Market
The BOL vote earlier in the day was to raise salaries of those employees below 80% of market level rather than 70% as was previously discussed by the BOL Budget Committee. Discussion about the just-voted-in salary increase included:

- The line item $500,000 language appropriation in HB2 in the DOA includes the 50-cent Legislative-mandated increase in January.

- CSD will submit documents to the DOA for additional authority for 2017. Once that authority is given, CSD will make the determinations of which programs will receive it. Most of the authority, probably around 75%, will be in the Brands Enforcement Division.

Mike Honeycutt shared his response to Economic Affairs Committee member, Representative Lang of Malta when he was asked how the DOL, being on a zero-based budget, can justify Department salary increases.

- Employees getting the salary increases in the DOL are doing jobs required by State statute – brands inspections, etc.
- Low salaries have caused the DOL the inability to fill some open positions because no one applies for those positions.
- The DOL cannot carry out its legal obligation without taking these steps.

Standard Budgets FY 2017

George Harris did not go through each Division's standard FY17 budget, but was open for questions as those were included in his handouts. Other comments from Mr. Harris:

- CSD was informed during budget training with the Budget Office for the new Internet Budget and Reporting System (IBARS) that when they build the budgets they will be looking at FY16, but will also look at what is budgeted in FY17.
- July 19, 2016 is the Snapshot of each DOL position's grade and class code.

Information Technology Staffing

George Harris requested permission to fill the IT Manager position, hopefully prior to the July 19, 2016 snapshot.

- DOL administrators have come to Mr. Harris expressing the need to fill the IT position. Dr. Layton said IT support is absolutely needed in the Lab; a pathologist spending 50% of his time working on IT issues at the VDL is not a wise use of that person's time.
- It is best to have IT people speaking to IT support people for VADDS, Fort Supply, etc. when there is a problem.
- Three FTEs are allocated to IT and George Harris has revised the position descriptions - IT Manager should be stationed in Helena, a systems analyst in Bozeman who would serve the entire DOL but travel as needed and another systems analyst in Helena. The traveling systems analyst would be the one tagged with Fort Supply and VADDS.

MOTION/VOTE

2:09 PM

Brett DeBruycker moved to hire an IT Manager. Sue Brown seconded. The motion carried.

2:16 PM - **Animal Health Division**

Dr. Martin Zaluskli said that the Animal Health Division agenda requests were associated mostly with out-of-state travel:

- Dr. Zaluski's first travel request was for him to travel to the United States Animal Health Association (USAHA) business meeting in August. He is the Association's 3rd VP and is expected to attend. The organization collaborates State and Federal animal health officials, industry and academia. Cost is approximately $1200 out of the Animal Health budget.

MOTION/VOTE

2:18 PM

Ed Waldner moved for Dr. Zaluski to travel to the USAHA meeting in August. Brett DeBruycker seconded. The motion carried.

- Dr. Zaluski's second travel request was for Dr. Eric Liska and Emily Kaleczyk to participate in and observe an emergency response exercise in Idaho in November. The exercise mimics the deployment in 24-28 hours, of a cache of veterinary supplies sent to a state in response to an emergency. Dr. Zaluski anticipates that Montana would be exercising this national veterinary stockpile within 12-24 months. Total for two individuals to go would be around $700 out of the Animal Health budget.

MOTION/VOTE

2:20 PM

Brett DeBruycker moved for Dr. Eric Liska and Emily Kaleczyk to attend the emergency response exercise in Idaho in November. Ed Waldner seconded. The motion carried.

- Dr. Zaluski submitted reports on knowledge gained from out-of-state travel already taken that had been approved by the BOL in the last three meetings:
    - The IT Animal Health System USA Herds meeting attended by program person Evaleen Starkel and IT person Tom Shultz was reported as being extremely valuable on how to use the system more efficiently.
    - Emily Kaleczyk attended one of the foremost agricultural preparedness meetings of the year. Lasting several days, it covered disposal of carcasses and working with governmental agencies and non-governmental organizations. That was paid for by cooperative agreement money.
    - The Western States Livestock Association (WSLA) biannual meeting was attended by four Animal Health employees. Trichomoniasis was covered, but not brucellosis. The Foot-and-Mouth Disease (FMD) seminar was eye-opening, particularly when it covered what would happen if an outbreak of FMD were to hit the United States. Dr. Tahnee Szymanski was elected as the President of the WSLA for next year.

MOTION/VOTE

2:28 PM

Lila Taylor moved that Brett DeBruycker be excused. Nina Baucus seconded. The motion carried

RECESS

2:29 PM

RECONVENE

2:46 PM

DIVISION REPORTS CONTINUED:

2:46 PM

Nina Baucus asked for clarification on whether or not the Department of Administration (DOA) could stop the DOL salary increases voted in by the BOL if the DOA denies the request.

George Harris said the language is in HB2 under section C, giving the BOL $500,000 authority. Mr. Harris visited with Budget Office and they indicated that a language BCD needed to be processed. If any request is denied by the approving authority then it is denied, but he didn't know of any reason it would be.

2:49 PM – **Meat and Poultry Bureau**

- Gary Hamel reported on the 2016 Meat and Poultry HACCP Training he just attended in New Orleans. Topics covered were:
    - HACCP validation –Plans, Designs
    - New grinding law rules – Beef ground into ground beef will need a new record-keeping system effective October 1, 2016.
    - On-site audits –FSIS has stepped up their level of detail on these audits. Montana is set for an on-site audit in the spring. To be well-prepared, Mr. Hamel will be sending out a document to his staff listing on-site audit findings from other states.
- Catfish (order Siluriformes) will be an amenable species for the Federal Meat Inspection Act and catfish farms in Montana will now have to be inspected. To Mr. Hamel's knowledge, there are no catfish establishments or requests for any in the state right now.
- FSIS has directed the Meat and Poultry Bureau to go through a nearly four-hour process called Enterprise Active Directory (EAD) migration by mid-July. The process migrates multiple servers to a single server on Federal websites for higher efficiency.
- Four of the 16 applicants will be interviewed on June 29, 2016 for the Compliance Officer position.
- Mr. Hamel said that there have not been a lot of applicants for new plants, but there have been many inquiries, especially for poultry facilities.

- The bison plant is coming back to Montana for three days at the end of July to slaughter around 36 bison. Meat and Poultry staff will be on site when that is done.

2:49 PM - Milk Control Bureau
Mike H. reported for Chad Lee:

- The Bureau announced for July an estimated quota price for milk with 3.5% butterfat that was $14.18/cw, 10.8% higher than the Bureau's estimated quota price for June.
- The Bureau's estimated quota price for June for milk with 3.5% butterfat was $12.80/cw, and if that turns out to be correct, it will be lowest quota price since October of 2009, showing how dynamic the milk market has been.
- Quota price for May for milk with 3.5% butterfat was $13.83/cw, 50 cents higher than the Bureau's estimate at the time of the May price announcement.
- An audit of the November 2014 pooling showed producers were overpaid for November 2014 production by $8,074. The negative adjustment to producers' dairy checks should be made in July.
- The audit of the November 2014 pooling will likely be the last audit to be performed on months prior to February 2016, as audits for February/March/April 2016 have been completed and no adjustments need to be made. Audit of May 2016 pooling should be complete in mid-July.
- Other notable activities for the Milk Control Bureau
    - Licensing for FY2017
    - Review and documentation of milk equivalent factors to use in milk control assessment calculations in FY17
    - Legal analysis of the classification of milk utilization, particularly in regard to bulk cream sales

Mike Honeycutt said he would find out the answers for Mrs. Baucus or perhaps time could be taken at the next meeting for Chad Lee to explain how milk control assessment calculations and legal analysis of the classification of milk utilization would affect Montana producers and how cream sales for the state of Montana are figured.

Discussion
Chairman Lehfeldt said that Mike Honeycutt's six-month evaluation would have to be done before the next BOL meeting.

Mike Honeycutt said that once authorization is given for DOL salary increases, those raises would be made retroactive from July 1, 2016.

COMMENTS FROM PRODUCER ORGANIZATIONS:

3:20 PM
Maggie Nutter, President Marias River Livestock Association, said changes she has seen in this Department since sitting in on her first BOL meeting in 2012 are totally amazing. Ms. Nutter said she is very thankful for Board's depth of knowledge and to be active, to see things happening, the Department heads understanding their budgets - it

is amazing and much appreciated by her and the industry to see those things happening. It is wonderful. Your effort is appreciated.

3:21 PM

Gene Curry, President Montana Stockgrowers Association (MSGA) and rancher from Valier thanked DOL and BOL members who attended their convention (John Lehfeldt, Nina Baucus, Lila Taylor, Mike Honeycutt, Leslie Doely). He said it was very much appreciated and hoped they enjoyed it as much as MSGA did having them there.

- He praised the BOL's great job in hiring Mike Honeycutt and Leslie Doely and said that the face presented to the industry now and the knowledge that comes with it is very much appreciated and respected.
  - He commented on the growth he has seen in both during the short time in their positions.
  - He recalled when Mr. Honeycutt and Ms. Doely attended an MSGA board meeting when Mike had been on the job for just two weeks at the most and he did a very nice job.
  - Mr. Curry was just amazed at Mike's knowledge of this Department, of the people involved and the process, in a presentation he did at the Marias River Livestock Association meeting
  - Mr. Curry felt Ms. Doely has a grasp into what she has undertaken and is doing a great job.
- Mr. Curry also thanked Mike and the BOL for their attempts and resolve for getting all the DOL heads involved in the budget process. He commented on what he sees in the DOL heads:
  - There's improvement in the reports they give
  - Their buy in to the program
  - Their buy in to what it took to stay under budget has in a way affected the ability to bring salaries up to the 80%
- Mr. Curry commented on issues he sees going to the Legislature:
  - Brett's comments were to the point...you do such a good job and then you cut to the bare bones and that's what they'll look at as a base.
  - There is a very good opportunity to justify every expenditure that is made in this Department and the increases requested in the budgeting process.
  - He would like to have Mr. Honeycutt and the BOL develop some talking points before Legislature and make sure our message is consistent and our numbers verifiable. This past legislative session when the industry went and lobbied the Legislature for the budget, especially the general fund money to backfill the Lab, we were getting different numbers. Those people that sit on the committees that look at numbers are numbers people, and they don't like to have different numbers brought to them. They want a number to start with and it better be consistent. Mr. Curry thinks we're on that track.
  - Regarding comments earlier about the industry being behind the DOL, Mr. Curry said the MSGA is definitely behind them. Everyone that has been involved in the long-range planning Committee were involved because they wanted this Department to stay an independent department. When it

comes to Legislature, he is sure that we can get the ag coalition behind whatever it takes to get this budget through, and be successful in that.

- The Lab budget, is still a concern to Mr. Curry and the general fund money that is being requested for the Lab. When he listened to John Scully's report on the Audit Committee and they started talking about a consistent amount of money coming out of per capita going into the Lab, it troubled him a little bit because a disease outbreak changes the volumes in the Lab immensely. It's not like say your Brands Division budget where you have so many stock inspectors out there and you kind of know your budget and it's not going to change a lot because there is not going to be a lot of volatility, in your expense side anyway. In the Lab there could be. When it comes to that general fund money, we all know how critical that was to putting this Department in the place it is in. So, if we can get those numbers and be able to justify them and be consistent, I have a good feeling going to the Legislature. We'll work our tails off to get the budget passed. Thank you all for taking the time to serve the industry.

SET DATE FOR BOL MILK RULE CONFERENCE CALL:

3:28 PM

Mike Honeycutt said that public comment on the Milk Rule ends on June 30th and can be adopted as early as July 5th, but would not want to go beyond July 8th. It will be a simple process with only one comment so far, but a flood of comments could come in at the last minute. Mr. Honeycutt said that public notice needs to be given 48 hours before the conference call.

John Lehfeldt set up the BOL Milk Rule conference call for July 7, 2016, and a time of day will be set up later.

SET DATE FOR NEXT BOARD MEETING:

3:31 PM

With year-end closing of books due on July 20th, John Lehfeldt set Monday, August 15, 2016 for the next BOL meeting.

MEETING ADJOURNED

3:35 PM

John Lehfeldt, Chairman