



Montana Board of Livestock Meeting Minutes

October 27, 2016

MT DOL Board Room/Scott Hart Building
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 and poultry)

Brett DeBruycker (cattle producer)

Staff Present

Mike Honeycutt, EO

Gary Hamel, Meat Inspection

George Harris, Centralized Services

Dr. Bill Layton, Diagnostic Laboratory

Leslie Doely, Brands Enforcement Division

Evan Waters, Centralized Services

Donna Wilham, Adm. Asst. to EO

George Edwards, Livestock Loss Board

Dr. Martin Zaluski, Animal Health

Emily Kaleczyc, Animal Health

Dr. Tahnee Szymanski, Animal Health

Public Present

John Steuber, USDA Wildlife Services

Ben Reed, MT Dept. of Justice

Kraig Glazier, USDA Wildlife Services

Pat Murdo, Legislative Services

Gene Curry, MT Stockgrowers Assn.

Cheryl Curry

Chelsie Cargill, MFBF

MEETING CALLED TO ORDER

8:07 AM

Chairman John Lehfeldt called the meeting to order at 8:07 AM

APPROVAL OF 9/23/16 BOL MEETING MINUTES

8:08 AM

MOTION/VOTE

8:08 AM

Nina Baucus moved that the September 23, 2016 minutes be approved as presented with an amendment from Mr. Scully in the paragraph regarding his comments saying that sending Leslie Doely to POST training is a waste of DOL

money. Mr. Scully would like to add to the paragraph in the written record, taken from the vocal record, that in his view, it is Leslie Doely's choice whether she wants to attend POST training or not. Sue Brown seconded. The motion passed.

OLD BUSINESS

8:09 AM

8:09 AM – Audit Updates

Lab Performance Audit Update

- The Economic Affairs Interim Committee requested they be included on the Combined Lab Complex Building Committee
- An MSU facility audit rated the current Lab at a 36% deficiency rating, much higher than 10%, which is an audit score considered “poor”
 - A potential cost to bring the Lab out of “poor” condition was set at \$3 million - \$4 million
 - Dr. Layton believes the Lab audit needs to be responded to by MSU because it is their audit and they own the building

In conjunction with the Lab Performance Audit, Mike Honeycutt reported on the DOL's latest work on the Lab's cost analysis:

- On October 4, 2016, John Scully, Lila Taylor, Mike Honeycutt, George Harris and Evan Waters met with Dr. Layton at the VDL to put a plan together for the Lab's cost analysis
- Working with Dr. Layton and Lab staff, Evan Waters compiled a cost breakout spreadsheet covering every section of the Lab
- Mr. Waters is currently applying Lab revenues back against sections of the Lab to show where costs are covered and where they are not.
 - Mr. Honeycutt recommended to the BOL that if the present fees charged by the Lab for zoonotic disease tests do not cover test costs, that fees be raised using general fund, per capita, or a mixture of both
 - Mr. Honeycutt said \$1.1 million - \$1.2 million general fund has been requested in the next biennium budget to cover excess costs for zoonotic diseases
 - John Scully cautioned that fixed cost requirements for a lab are going to be higher than the fee prices you can charge in order to be competitive
- Mike Honeycutt said that this first year of switchover to the VADDS system, has complicated compiling information required for the Performance Audit because of information being duplicated in two systems. Mr. Waters' report takes three-year averages, those three just prior to 2016 because all of that information was in only one system, the old system
- Dr. Steve Smith is the VADDS contact at the VDL
 - Tom Shultz in the DOL Helena office, is the lead person for USAHerds
 - Mr. Shultz and Dr. Smith have been working with both vendors to get a full connection between VADDS and USAHerds
 - Dan Olson, IT Supervisor, just attended VADDS training. All three IT personnel in Helena have been doing onsite VADDS training via the

internet and via conference call with VADDS to get understanding of that system

Financial Audit Update

Mike Honeycutt met with the Legislative auditors last week

- The auditors discussed the estray issue with Mr. Honeycutt
 - The auditors believe the fund they suggested is the proper way to account for estray funds
 - The auditors believe the Montana Operations Manual (MOMs) policy doesn't apply to DOL estray funds, but to a situation where a third party is known
- Mr. Honeycutt feels that the DOL is very firmly in compliance with the other issues mentioned in the financial audit, even the one DOL did not concur with. Mr. Honeycutt felt that it was dealt with it in a way that would meet the Audit Committee's standards

Brucellosis Audit Update

Mike Honeycutt reported that the auditors for the brucellosis audit had finished their field work for that audit

- The auditors scheduled a meeting with Mike Honeycutt and Dr. Zaluski on Monday, October 31, 2016
 - Mr. Honeycutt said the meeting is a preliminary one and he will give the DOL a general direction as to where the audit is headed

8:28 AM – Update on Historical Documents

Donna Wilham reported on the research work she and Ray Pellen from CSD Purchasing had done for the purchase of a vault or safe to house BOL/DOL historical documents:

- Purchasing a safe was preferred over paying a continual monthly records retention fee at the Secretary of State's office
- Several safes were researched; but only two safes were chosen for possible purchase
- Cost, temperature/waterproof ratings and size of the safe were considered in choosing the best one to house the DOL/BOL historical documents
- Home Depot and Capital Sports safes were in approximately the same price range and were very similar in temperature ratings and size

MOTION/VOTE

8:37 AM

Lila Taylor moved that Mike Honeycutt decide on the purchase of a safe he considers is the best one to retain DOL/BOL historical records. Nina Baucus seconded. The motion carried.

8:38 AM – Per Capita Fee for Tax Year 2017

Mike Honeycutt reviewed per capita info presented to the BOL at the September 23, 2016 meeting and recommended that per capita fees not be raised for FY17. He requested that the BOL take an official action:

- George Harris said he had a three-year per capita average he would be presenting during his segment and that he would ask the BOL to take a formal vote then
- Mr. Honeycutt said that because the VDL revenues have not been applied to the cost analysis as of yet, he cannot say with certainty that there will be enough per capita fees to cover the difference between fees and the actual costs of non-zoonotic testing at the VDL
- Mr. Honeycutt said if head counts remain stable, based on the authority asked for, the DOL will be in good shape
- John Scully said that the DOL is funded for this fiscal year, but may be short in general fund dollars the next fiscal year. He added that the DOL should be able to withstand some negativity relative to one fiscal year, but not two

8:43 AM – Personnel Committee Update

Brett DeBruycker reported that he had met with Anjenette Schaffer, Administrator of the State Human Resources Division of the DOA, regarding employee performance management

- Ms. Schaffer said in November, the DOA will engage in an employee performance management online pilot project
 - The project has two online evaluation forms, one filled out by an employee and one filled out by an employer
 - Completed employee forms are submitted to their manager or supervisor. Completed employer forms regarding that employee then become the final document and are stored in the HR system. It can also be set up so the EO can review the document with a manager prior to it being finalized
 - Utilizing this online program will reduce a big paper trail, monitors that employee evaluations are taking place, tracking is easier, the system is much more seamless and it could be incorporated as standard operating procedure across the Department
 - The program does not incorporate any face-to-face meeting between employee and employer, so that piece would need to be added. The program does not provide a way for the employee to do a performance evaluation on their supervisor

Mike Honeycutt said that on November 30, 2016, the Professional Development Center is offering communication training

- Mr. Honeycutt has suggested Department managers and supervisors attend that training
- Chairman John Lehfeldt added that he would like to see the Department supervisors attend this training if at all possible

Mike Honeycutt said that he added extra requirements to the performance evaluations that were done this year

- For employees not meeting expectations, a Performance Improvement Plan needed to be drawn up and documented, in hopes to give the employee resources to succeed and save their employment, a more cost-effective way than firing that employee and having to retrain another

MOTION/VOTE

8:59 AM

John Scully moved that notice be given to the DOA through Brett DeBruycker to accept the Employee Performance Management online proposal that he presented and to include the Performance Improvement Plan as outlined by Mr. Honeycutt. Nina Baucus seconded. The motion carried.

NEW BUSINESS

9:01 AM

9:01 AM – Montana Human Rights and Governmental Code of Fair Practices Presentation

Ben Reed shared information on the MT Human Rights Act and the Governmental Code of Fair Practices:

- In Montana, there are two large discrimination laws - the Governmental Code of Fair Practices and the MT Human Rights Act
 - The MT Human Rights Act (MHRA) acts as a yardstick allowing a citizen to make a complaint against an entity or agency saying they have been discriminated against because of their “differences”
 - The Governmental Code of Fair Practices (GCFP) doesn’t provide a yardstick, but provides actual requirements of how business must be conducted
- Ben Reed said he will go into depth with Mike Honeycutt, Sheila Martin and George Harris regarding the affirmative statutory requirement of the DOL to look at all of its operations, analyze them and decide if there is anywhere the DOL is discriminating or potentially discriminating
 - Although policies and procedures don’t have to be rewritten for the DOL to be in compliance with the statute, Mr. Reed said something must be done. He recommended the DOL make it a policy to review operations and provide ongoing training regarding those policies

Mike Honeycutt addressed the importance of having employee relations processes and procedures in place

- Simply hiring the most qualified employee helps avoid the question of equal opportunities in employment
- Provide governmental services in a non-discriminatory act
- DOL employee hiring practices include interviewees being asked the same questions
 - A scoring system for hiring employees is in place

- Notes of the hiring committee on each interviewee are kept on file
- Employee termination practices of the DOL include
 - Engaging with an attorney to review the documentation
 - Have the attorney speak with the employee
 - Have the attorney advise the DOL as to whether or not they have done all that is required by law in regards to the situation
 - Ask the attorney if they agree with the supervisor's recommendation to terminate an employee

9:50 AM – Business Continuity Planning

Mike Honeycutt explained the different portions of the State Continuity Planning project Emily Kaleczyk has undertaken for the DOL as part of her compliance position:

- Continuity is a statewide plan, run out of the DOA, to make sure the business of the State will have continuity of operations should there be some unforeseen emergency
- Cessation Planning is a part of Continuity Planning, providing guidance for the Department should the EO or any of the managers become unable to carry out their duties during such an incident
- Emily Kaleczyk said that the DOL is one of the last agencies to go through the training. She is working as a continuity coordinator for the DOL and as an underperson with the DOA to get the DOL's continuity plans written and organized in a formal way so DOL's continuity plans can be entered into the DOA's system
- DOA is in charge of emergency function, which covers communication. If there is an emergency, they are the ones that will make sure communications work

10:00 AM – State Drought Plan

Mike Honeycutt reported on the DNRC's plan to revise the 1995 State Drought Plan:

- Ada Montague, State Water Planner for DNRC and the Coordinator of the Drought and Water Supply Advisory Committee, is putting together a working group to look at the 1995 State Drought Plan and revise it
- Statutorily, Mike Honeycutt is required as EO of the DOL to serve on that Committee and has been attending monthly meetings
- Mr. Honeycutt requested thoughts from the BOL about what they think the DOL's response to drought should be so he can share at the next Drought Committee meeting
- The current State Drought Plan says in times of drought, the DOL should commit more resources to predator control, but the DOL doesn't have any further authority to give additional funding to Wildlife Services
 - Mr. Honeycutt said if there is something that is written into the new State Drought Plan requiring more financial or human resources, the DOL needs to be sure that it gets allocated

RECESS

10:07 AM

RECONVENE

10:29 AM

DIVISION REPORTS

10:30 AM

10:30 AM – Milk and Egg Bureau

Dan Turcotte updated the BOL on the Milk and Egg Bureau events of the past month

- The BTU rating for 15 producers in the Gallatin Valley went well
- Mr. Turcotte said he has been in contact with a sheep producer from Hysham who eventually wants to build a facility to process cheese from sheep milk, but he has not received anything firm as of yet from the producer
- Saturday production has been dropped for the time being at the Great Falls Egg Plant, with graders working five 12-hour days to accommodate 500,000 birds
 - Mechanical issues that slowed production have been fixed
 - Processing at the plant has stepped up
 - 250,000 more birds will be added to the plant after the first of the year
 - If the workload for the 250,000 extra birds goes beyond 12 hours, shifts for graders will be split
 - Roy Hall will be brought in to do grading if he is needed to cover shifts

10:36 AM – Livestock Loss Board (LLB)

George Edwards presented reported livestock loss numbers, due to predation, since last meeting:

- Paid out wolf loss claims more than doubled from last year at the same time
- Grizzly loss claims compared to last year also increased – 25 more sheep claims; 63 more cattle claims

Mr. Edwards explained that last year was a record year for livestock loss dollars paid out, even though the number of reported predation losses increased this year

- Cattle prices have gone down since last year – a \$900 calf loss payout from a ranch last year paid only \$600 this year

MT Senator Pat Connell will be introducing a Montana Woolgrowers Association (MWGA) bill this legislative session, that originally planned to request \$300,000/yr. for predation losses, due to increased losses by grizzlies,

- Bill drafters reported to Mr. Edwards that the requested monies will be \$200,000/yr., the amount received since 2011, and that amount will possibly be maintained for a six-year period
- During the 2015 Legislative session, HB145 allowed the LLB to use carryover money for loss prevention, and those were the funds given to Wildlife Services this year by the LLB

10:39 AM – Predator Control

John Steuber, State Director, USDA Wildlife Services (WS), per the request of the BOL, reported on maintenance of the two DOL-owned helicopters that are flown by WS:

- Costs beyond regular annual maintenance of the helicopters (blade replacement and engine overhauls) have required WS to utilize Federal appropriations to make up the difference during the last couple of years
- Liability insurance only is carried on one DOL helicopter; the other DOL helicopter has both liability and hull insurance
- A hangar with added warehouse space for storing helicopter parts, has been secured and will be purchased with Federal dollars for the DOL's Helena helicopter
 - The only costs for the new hangar will be a land lease and utilities
 - The purchased hangar will also fulfill USDA requirements that the hangar only be accessible by WS personnel
- Mike Honeycutt requested that a meeting between John Steuber, George Harris, Evan Waters and himself be held before the next BOL meeting to determine the "true" costs of the DOL helicopters
 - Is there any benefit on the Federal side for use of DOL helicopters, where they receive benefit but aren't paying for it because the DOL is providing it
 - Taking off flying expenses for Federal use of the DOL helicopters would figure into FY20-FY21 per capita because it was not contemplated in the next biennium budgeting
 - What should the cooperative agreement between DOL and USDA-APHIS look like now and what should it look like in the future
 - Historical research should be done to determine how much, if any, DOL helicopter flying time was charged to DSA or Animal Health
 - DOL's current relationship with USDA-APHIS is mutually beneficial and Mr. Honeycutt wants to be sure that the DOL is keeping up their fair share of the relationship
- John Scully requested that before the end of 2016, a holistic look be done by the DOL about the possibility of cattle petitions being dropped and the direction the DOL would have to take with per capita if that happens

John Steuber talked about upcoming deadlines for WS

- The Federal Government is operating on a continuing resolution (CR) until December 9, 2016, limiting spending by the WS
- Audits for both the Montana Stockgrowers Association and the Montana Woolgrowers Association will be submitted to them at their annual meetings in December

John Steuber said that flying for predation callouts has slowed down

- Calves are fatter and producers are shipping cattle
- Some producers do not want flying done during hunting season

A wolf predation story made the national news, according to John Steuber

- The wolf, a part of the Huckleberry Pack in Washington, was collared in February 2016 by Washington Fish and Wildlife

- The wolf dispersed from its pack and traveled from Washington into Canada and into Montana
- In September, WS was called to a Wheatland County ranch with reports of lamb kills. More lamb kills occurred over the next couple days at the ranch by this same wolf until WS was able to spot it by air and took it the third day
- WS was not made aware of the wolf's travels by FWP and John Steuber voiced his concerns about not knowing its location, especially because it was located in an area where wolves are not normally found

MOTION/VOTE

10:52 AM

Nina Baucus moved that the DOL send a letter to Jeff Hagener, Director of the Montana FWP, requesting that Wildlife Services be kept up-to-date regarding the movement of collared wolves or grizzlies traveling around the state, no matter where they came from. Lila Taylor seconded. The motion carried.

11:14 AM – Brands Enforcement Division

Personnel Update

Ms. Doely gave an update on current personnel changes in the Brands Division:

- Two positions have been filled in Billings; only one remains vacant
- Two positions have opened in Helena, a Mortgage Clerk and an Administrative Assistant; both positions close on November 9, 2016
- The rover position to cover Miles City/Glendive did not receive any qualified applicants. It was reopened and one or two applicants have applied this time

Crimestoppers Commission Member Appointments

Ms. Doely discussed the Crimestoppers Commission, which has not been active for several years:

- The law enforcement position has been filled
- Two positions remain open to be filled by members of the general public
- The BOL agreed to have Ms. Doely recruit members of the general public to the remaining openings

Over-the-Counter Service for Brands Customers in the Helena Office

Leslie Doely discussed her concerns on complying with a 2010 performance audit regarding how new brands and brand transfers should be handled:

- Recommendation #6 of that audit stated that new brands, whether mail-in requests or over-the-counter requests, are competitive because of the conflict check process
 - Ms. Doely said that the DOL agreed with the 2010 audit recommendation, but has not implemented the recommendation. Rob Stutz has recommended the DOL comply
- Ms. Doely expressed her concern with the Brands Enforcement Division having only one Brand Recorder and one Assistant Brand Recorder

- Approximately 1000 brands/yr are processed in the Brands Division, with that number rising to 4000 brands/yr processed right after rerecord
- Right now, mail-in brand applications are usually handled the day they are received, but that may not be possible with current staff after rerecord
- Ms. Doely said that the new Mortgage Clerk position will also be training as a brand recorder, but that training would take six months
- Mike Honeycutt said that from the customer service side, the number one complaint he receives from the Brands Enforcement Division is priority order of new brand applications
 - ✓ Mr. Honeycutt said that he will set business hours in the Brands Enforcement Division to cover the public anytime they need service between 8am-5pm, Monday-Friday
- Ms. Doely requested direction regarding the over-the-counter service in the Brands Enforcement Division. Her thoughts were to continue it, but remove the same day service for receiving a new brand
- Brett DeBruycker said that serious thought should be given to the cost of hiring another assistant brands recorder versus possibly finding funding before the next rerecord for an I Phone app that would take the process that the current Brands Recorder uses for new brands conflict checks and get it applied into a computer format program so that the public can apply for new brands right from their phone

LUNCH

11:45 PM

EXECUTIVE SESSION

12:00 PM

RECONVENE

1:06 PM

DIVISION REPORTS CONTINUED:

1:06 PM

1:06 PM – Veterinary Diagnostic Lab (VDL)

Dr. Layton gave general updates regarding the VDL since the last BOL meeting:

- The scientific sessions at the AAVLD meeting that he, Dr. Jeff Marshall and VDL Quality Manager Tess Moore attended in Greensboro, NC October 13-19, 2016 were very good
- Dr. Layton said he met at the VDL on October 4, 2016 with John Scully, Lila Taylor, Mike Honeycutt, George Harris and Evan Waters to put a plan together for the Lab's cost analysis
- The main driveway to the VDL is closed until the end of November due to the installation of a buried telephone line
- Dr. Layton updated the BOL on the Lab Accreditation Review
 - Dr. Layton met with the head of the Accreditation Committee
 - No scientific team has been set up to do the accreditation as of yet

- Accreditation application must be submitted by February 15, 2017, but Dr. Layton hopes to have the VDL's done and submitted by January 1, 2017
- Dr. Layton has requested an August 2017 accreditation review date
- Even though the VDL building received a "poor" rating from the MSU audit, Dr. Layton feels that the Accreditation Review Committee will not incriminate the VDL building's stability because it does not affect quality or safety, and they will be more focused on Lab Quality Issues

1:17 PM – Centralized Services

Lab Cost Analysis

Evan Waters said the VDL cost analysis report was just preliminary as the zoonotic numbers still needed to be updated:

- Because the conversion to the VADDS system was not totally completed, test numbers are based on averages for the past three years. The cost of milk tests are 2015 actual numbers with all of the controls and actual tests rolled into one cost, which averaged out to \$18/test
- John Scully requested one standard for all tests listed be made by taking the three-year's average costs and spreading them, including that for milk
- Mike Honeycutt said that the next step would be to find the gap between what can be raised in revenue vs what it costs to operate the VDL and have it in a fixed cost state of readiness to deal with the problems that may arise

Cash Analysis FY 2017/Per Capita Fee Update

George Harris reported on the DOL's three major State Special Revenue sources, commenting that they are where they were a year ago, with the necessary adjustments:

- Current cash available in **Inspection and Control** is \$501,957, not including fall run revenue
 - Local inspection revenues are up \$5,300 from last year, probably because many ranchers are shipping earlier this year
- With the change in **per capita fees** collection time from Fall to Spring this year, cash in the bank right now for per capita fees is \$6,804,709
 - Total per capita collections are right on course at \$4,790,042
 - The current year increase in per capita is \$754,588
 - Around \$600,000 has been expended in per capita fees in the first quarter of this fiscal year
- **VDL fees** cash is currently at \$103,886
 - Lab fee revenues are up \$5,000

FY2017 Expenditure Projections for Fiscal Year End (FYE) 2017

- DOL personal services is \$360,757 positive
 - Personal services numbers include the department 50-cent January increase.
 - Mr. Honeycutt spoke on some new approaches for the DOL in personal services

- ✓ Retiree projections (those 62 and older) will be included in personal services expenditure projections. If there are younger employees who are intent on retiring, they are added to the projections as well
- ✓ Mr. Honeycutt requested that DOL managers report any expenses that would not be contemplated in the run rate so they can be added to the projections
- ✓ If a position comes available in a division or bureau that is right on the line in their personal services projection, that position may be left open for three or four weeks longer than normal to create savings
- ✓ If a division or bureau is running right on the operational line they may be asked to push some expenses into the next fiscal year
- ✓ The monthly budget conferences with managers will continue

Centralized Services Division:

- The FY17 budget for the BOL was set at \$21,007, but with the Board meeting more frequently, there is a projection deficit of \$5,244
- A projection deficit of \$7,940 was reported in the Centralized Services Division payroll that Mr. Harris said he is looking at and managing
- Centralized Services operations is \$53,865 positive in its projection
- The DOL has paid the DOR the 2% per capita fees collected for FY17
- The Milk Control Bureau shows a positive projection of \$1,631 in personal services and a positive projection of \$11,919 in operational expenses
- The LLB is positive in their personal services projection by \$475

Veterinary Diagnostic Lab:

- The VDL is showing a positive projection of \$38,408 in personal services
- There is a negative projection of \$23,351 in operational expenses at the VDL
 - Mr. Harris was concerned about the \$6,000 difference in supplies and said when he and Mr. Honeycutt meet with Dr. Layton they will go through each item in his operational categories
 - There is a retirement payout projection at the VDL of \$101,400 to June 30, 2017

Milk Lab:

- Projected personal services are a positive \$9,003
 - Operational expenses at the Milk Lab are projected to be a negative \$8,354
 - Of the 1.5 FTEs currently allotted to the Milk Lab, the .5 FTE may not be expended
 - Overall budget projections show the Milk Lab to be \$649 to the positive

Animal Health:

- An anticipated positive projection of \$8,970 was reported for personal services
- \$28,103 to the positive was reported in Animal Health operating expenses
- General fund dollars used for the DSA were projected to be \$10,206, and operational expenses there were also projected in the positive at \$141,520, depending on the number of tests conducted

- Mr. Honeycutt said the biennium budget for the DSA was \$837,000, with no additional funds to operate on requested in the EPP that was submitted to the Governor
- Not all expenses for the DSA activities are covered by HB2's general fund dollars
 - The 2 FTE office people are paid by general fund dollars
 - Any time committed by Dr. Zaluski to the DSA is charged to the Federal cooperative agreement on brucellosis and billed to the umbrella grant
- Alternative livestock, paid for with all per capita fees, is on budget

Milk and Egg Bureau:

- The vacant position in the Milk and Egg Bureau has not been filled
 - Total budget funding for the Milk Inspection Program is projected to be \$32,571 to the good
 - The Shell egg inspection program's total budget funding projection is in the negative by \$960
- The Shielded Egg Grading Program projections are in the positive for the total budget at \$137,648 – Of the 2.5 FTEs budgeted there, one is still vacant

Budget Status through September 2016

George Harris said the DOL budget status report shows the budget amount for FY17 with actual expenditures for the same period last year, along with projections:

- Mike Honeycutt reported that the concern expressed in the last BOL meeting regarding personal services expense numbers has corrected itself because the month of August contained three pay periods rather than just two, and that made a big difference in expenses on that particular report
- Per capita projections have proven to be solid, in terms of FY16, the DOL is \$949,000 positive in FY18, and \$1,053,00 in FY19

Mike Honeycutt reported on per capita, pointing out that the report shows no radical shifts in the industry:

- The DOL may not be collecting per capita fees on bees in the future, a \$24,123/yr. collection
- The per capita report may be readjusted in the future, taking out the indirect cost reimbursements that come through Federal grants
 - The indirect cost reimbursements provide a bit of a buffer in case there is a 10%-15% reduction in head count. The DOL would still collect enough fee to cover expenses without having to dip into cash reserves during the first year of the biennium, at the current per capita rate, but may have to do something different after that

John Scully requested an explanation on the 4% vacancy savings accrual being required of each State agency in the next biennium

- George Harris commented that in the last budget cycle, the DOL gave up FTEs to cover the vacancy savings, but now the positions have to be held open and take 4% off the top
- Mike Honeycutt said you have to manage the vacancy savings throughout the year, no longer adding the savings to the DOL's fund balance, but collecting them for the Governor's Budget Office
- Last year the DOL was far beyond the 4% in natural vacancy savings

- Mr. Honeycutt said a tracking system for the program needs to be developed and the DOL needs to start collecting the 4% for the Governor's Budget Office

Per Capita Fee Setting Tax Year (TY) 2017

George Harris said that per statute MCA 15-24-922 (2), the BOL may only increase the per capita fee by 110% of the previous three-year average

- That 3-year average for FY15 – FY17 is \$4,593,372
 - The maximum 110% of that 3-year average is 5,052,510. Subtract the 2% DOR collection charges from that average and the DOL realizes \$4,951,655 revenue
 - The increase in per capita using those figures is \$264,158
- George Harris said that the DOL feels the current per capita fee revenue would cover the budget we are requesting and recommends that the BOL not increase the per capita fee at this time

MOTION/VOTE

2:48 PM

John Scully moved to not increase per capita at this time, subject to review at the end of the legislative session and future decisions. Lila Taylor seconded. The motion carried.

Per Capita County Contract Amounts/FY2017 Allocation to USDA Wildlife Services

George Harris reported on the three-county allocation for predator control:

- Total statutory appropriation for predator control is \$350,000
 - \$26,200 of that appropriation was for insurance on the two DOL helicopters with risk management and tort expense
 - ✓ Insurance on the helicopters was already paid – one is covered with liability insurance; the other is covered with liability and hull insurance
 - Total allocation, based on statewide per capita fees billed this year minus the 2% DOR collection charge was \$28,171
 - ✓ \$11,418 for Powder River County; \$11,187 for Carter County; \$5,566 for Richland County
 - ✓ Wildlife Services would receive \$295,629 if BOL approves predator control payments to those three counties.

MOTION/VOTE

2:53 PM

Lila Taylor moved that the DOL make predator control payments to Richland, Carter and Powder River Counties, as per George Harris' report. Nina Baucus seconded. The motion carried.

RECESS

2:54 PM

RECONVENE

3:10 PM

DIVISION REPORTS CONTINUED:

3:10 PM

3:10 PM – Meat and Poultry Bureau

National Association of State Meat and Food Inspection Directors Travel Update

Gary Hamel reported on his travel to Greensboro, NC October 17-18 to attend the National Association of State Meat and Food Inspection Directors meeting:

- New retail grinding law rules began on October 1, 2016 were discussed
 - Soft implementation of the rules has begun, but warnings and enforcement letters will be issued starting April 1, 2017, with compliance officers coming on establishment premises to review and educate if needed
- A new matrix has been established for onsite-audits for the states
 - Montana's upcoming audit will be covered by two auditors
- While in Greensboro, Mr. Hamel also attended the National Association of State Meat and Food Inspection Directors business meeting

General Updates

Mr. Hamel discussed a conference being held at MSU he would be attending on October 28-29, 2016 focusing on Montana's local food system

- Meeting will be exploring opportunities to expand Montana's local food system

Mr. Hamel reported on recent training for some DOL meat inspectors

- Four meat inspectors participated in hands-on training at a poultry class held October 11.-13, 2016 at the Hamilton poultry facility
- Three meat inspectors observed a slaughter day at the New Rockport Colony

Mr. Hamel said that the Meat and Poultry Bureau is working with the Hamilton poultry facility to adopt new record-keeping forms that are simpler to use and easier to understand

Mr. Hamel reported on a September 26, 2016 conference call he had with the Montana Beef-to-Schools Coalition

- The group is developing a survey for local meat processors to get a better understanding of strategies to make partnerships between schools, processors and producers work better

Mr. Hamel reported on an October vandalism at Garden City Harvest, a non-profit educational facility in Missoula that gives insight to students of their local food system

3:25 PM – Animal Health

Out-of-State Travel Request

State Veterinarian Dr. Marty Zaluski made an out-of-state travel request for Dr. Eric Liska to attend the brucellosis coordination team meeting in Greybull, WY on November 2, 2016

MOTION/VOTE

3:26 PM

Brett DeBruycker moved for Dr. Eric Liska to travel to Greybull, WY to attend the Brucellosis Coordination Team meeting on November 2, 2016. Ed Waldner seconded. Motion passed.

USAHA Travel Update

State Veterinarian Dr. Marty Zaluski reported on the United States Animal Health Association (USAHA) annual meeting Dr. Eric Liska, Dr. Tahnee Szymanski and he attended in Greensboro, NC on October 17-18:

- Dr. Zaluski said the three attended a whole gamut of committees including brucellosis, tuberculosis, animal welfare, farm serve a day, sheep and goats, rabies and trichomoniasis
- Wyoming's State Veterinarian set up a meeting on regionalization for scrapie
- A resolution that originated from the South Dakota State Veterinarian was passed and approved by USAHA to ask the USDA to review the three GYA state brucellosis programs at least once every three years
- A BLM administrator spoke on feral horse and wild burro issues at the meeting
 - 67,000 animals are on feed or in captivity in the U.S. - That number, if left unchecked, doubles every 4 years
 - The cost of housing these animals is \$49 million annually.
- Dr. Zaluski said that during the TB Committee it was reported that five bison herds disclosed positive for TB last year, four in Michigan and one in Indiana
 - If the federal TB-Brucellosis rule doesn't go forward, then the interim regulations are no longer in effect, meaning states like Michigan and potentially Indiana would lose their brucellosis-free status

General Updates

Dr. Zaluski reported on a meeting he and Mike Honeycutt had with Kevin Shea Administrator of APHIS, where they discussed the following:

- Funding from USDA for brucellosis has remained steady, but testing costs for the State of Montana have increased because the numbers of tests done since 2011 has doubled
- Concerns with the initial draft of the TB-Brucellosis rule
- Mr. Shea told Dr. Zaluski and Mr. Honeycutt that he had gotten some communication from the Secretaries of the Department of Agriculture and the

Department of the Interior for a compromise in the challenges the DOL and the National Park Service (NPS) are facing with the impact of the bison quarantine facility at Fort Peck

- Dr. Zaluski and Mr. Honeycutt communicated to Mr. Shea the Federal prohibitions against a quarantine facility, well beyond the NPS and State of Montana prohibitions
- Dr. Zaluski added that if the Fort Peck facility is approved, the State of Montana can expect 5 or 6 more applications over the next 12-18 months. That could potentially lead to numerous brucellosis quarantine facilities throughout the state and in the nation

3:40 PM – Milk Control Bureau

Chad Lee reported on the Milk Control Board (MCB) meeting held on October 4, 2016:

- The MCB approved the FY16 Market Administration and Industry Report prepared by the Milk Control Bureau
 - The report covers the Board of Milk Control and Bureau activities for FY16
 - The report contains info on production, utilization, consumption and producer prices from July 2015 – June 2016
 - The report can be found on the Milk Control Bureau website and provides info on how the quota and pooling systems works
- The next MCB meeting is scheduled for December 16, 2016 in the DOL conference room
 - Discussion will include the FY18 assessment rate and any necessary rule changes. Any changes need to be made by the MCB by April 1st
 - The MCB will receive a report from the Milk Control Bureau on input directly affecting rule making for milk class definitions and limits for the sales of milk surplus

Mr. Lee reported on the meeting Milk Control Bureau staff had with Meadow Gold accountants and plant managers on October 13, 2017

- There is a new plant manager and new staff at the Meadow Gold Great Falls plant
- Meadow Gold is implementing a new payroll system that works with the Montana producer compensation system

Mr. Lee reported that the butterfat price, usually peaking around October-November, peaked in September

- Ed Waldner said that the reason it peaked early is because McDonald's switched from using margarine to using real butter

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

3:48 PM

- Gene Curry, President of the Montana Stockgrowers Association (MSGA) invited the BOL and DOL to their annual convention on December 7-9, 2016 in Billings
- Mr. Curry said he would report on progress of the Long Range Planning Committee at the next BOL meeting
 - He plans on having small group meetings with different legislators around the state to lay some groundwork to get the DOL budget through the Legislature
 - Mr. Curry expects the process of getting the DOL budget passed will be much simpler than at the last Legislative session, thanks to more information getting out and the work of the Long Range Planning Committee
- Mr. Curry reported that the Blackfeet tribe imported some bison calves from Canada
 - MSGA is working with Glacier Park to try and get them back into the Badger Two Medicine area of the Park
 - Mr. Curry expressed concern about when the bison make the circle and come back on private land, whose responsibility is that going to be
 - Mr. Curry did not know if the DOL would be able to do anything about the move
 - ✓ Even though it is not winter country for cattle, it is home to a number of cattle in the summer for summer grazing
 - ✓ Mr. Curry was not sure if the bison would be considered domestic or wild
 - Mr. Curry said the move will impact per capita fees coming out of that area, although the DOL is probably not collecting any per capita fee from the bison

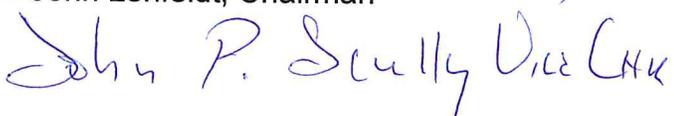
SET DATE FOR NEXT BOARD MEETING:

4:00 PM

John Lehfeltdt set Thursday, December 15, 2016 for the next BOL meeting. If possible, it will be held at the Montana Public Service Commission

MEETING ADJOURNED

4:07 PM


 John Lehfeltdt, Chairman

 John P. Scully Vice Chair