#### MINUTES

# MONTANA HOUSE OF REPRESENTATIVES 54th LEGISLATURE - REGULAR SESSION

#### JOINT SUBCOMMITTEE ON NATURAL RESOURCES

Call to Order: By CHAIRMAN DEBRUYCKER, on January 6, 1995, at 8:00 a.m. in Room 402 of the State Capitol.

#### ROLL CALL

#### Members Present:

Rep. Roger Debruycker, Chairman (R)

Sen. Judy H. Jacobson (D)

Sen. Loren Jenkins (R)

Rep. John Johnson (D)

Rep. William R. Wiseman (R)

Members Excused: Sen. Tom Keating, Vice Chairman (R)

Members Absent: n/a

Staff Present: Roger Lloyd, Legislative Fiscal Analyst

Florine Smith, Office of Budget & Program

Planning (OBPP)

Debbie Rostocki, Committee Secretary

Please Note: These are summary minutes. Testimony and

discussion are paraphrased and condensed.

### Committee Business Summary:

Hearing: Livestock Department

-Disease Control Program

-Milk & Egg Program

-Meat & Poultry Inspection Program

Executive Action: none

#### HEARING ON DEPARTMENT OF LIVESTOCK

Tape No. 1:A:000

<u>Informational Testimony</u>: Mr. E. E. "Cork" Mortenson, Executive Secretary of the Board of Livestock, introduced Ms. Nancy Espy, Vice Chairman of the Board of Livestock. Ms. Espy is in her third six-year term on the Board. Ms. Espy spoke briefly about the history of the Board and thanked the committee for the time given to the Board.

#### BUDGET ITEM: Disease Control Program

Mr. Lloyd gave his summary of the budget for this program. response to SEN. JENKINS, Mr. Lloyd explained that the double funding mentioned under the LFA Issues on p. C-83 of the budget existed in present law. The FTE is fully funded in the executive However, in contracted services there is money requested to contract for one FTE veterinarian. As a new proposal the Executive requests the reduction of that one FTE and the dollars that go with it; therefore if the committee accepts present law and expects that the funds will be available to pay the pay plan through the reduction of the FTE in the new proposal, this may If the executive's intent was to contract for an not be true. additional veterinarian, this should have been presented as a new proposal. Ms. Smith explained that during the budgeting process the Department requested the restoring of the veterinarian position. Executive policy was not to restore any positions. a compromise the OBPP agreed to put money in contracted services for animal health inspections. The Department has the option to contract for those services as needed or move the funds to some other category.

John Skufca, Centralized Services Division Administrator, then spoke to the issue. He agreed with the LFA analysis. Board's 5% committee came into play for the 1994 biennium they eliminated the funding for six FTE (including two veterinarian FTE) for this program. Three of those FTE will be gone if the new proposal is accepted; therefore two veterinarians are leaving the The Board decided that as long as there was a contingency to hire deputy state veterinarians, they would do this through the contracting process. However, in the western part of the state there is a problem regarding importing of baby calves and other livestock that the staffing left over would be unable to contend with. There was enough money in this program to get part of the supplemental funding authority to cover all the termination and retirement pay in FY 94. As a result they had about \$24,000 in the personal services budget this year and they went ahead and used one of the FTE's they were allowed to keep to hire a district investigator. In order to continue that service they need to maintain one of the vacant FTE, and the funding. The \$38,400 includes some operating expenses, travel, and To solve the problem they got the new proposal telephone. negative adjustment to their present law base. If this were to be reduced by this amount, then they would have the funding in personal services, and they have the FTE at present. He added that it has been beneficial for the agency to have the flexibility to move funding and not have personal services line itemed. He said that if the Department had the spending authority, then it would be up to them to come up with \$38,400 of the \$190,000 that they wouldn't be spending. If the money is left in contracted services and the FTE is left there they will have the funding in contracted services.

Mr. Skufca explained that in the past they had been allowed a \$70,000-\$80,000 contingency to contract for an veterinarian. In FY 1994 they didn't have a need, and the money was not spent. \$45,774 was reverted. The rest of the \$78,000 was used to pay termination pay and early retirement. If the Legislature wishes to appropriate disease control emergency funds, there are no longer any funds; they have all been lumped into one fund balance, and they are working to get this balance to a level the Legislature would consider appropriate. By the end of FY 1997 they hope to have 40% of their appropriated needs to go into the next fiscal year with. (Second half per capita collections put them into good shape at the end of the biennium.) Although they do have the authority for 5% program transfers, they have never gone this high; he was opposed to line iteming funds because this would be too restrictive.

Discussion then took place regarding the brucellosis problem with the bison in Yellowstone Park. REP. WISEMAN asked, if the Park Service were to build a corral and determine which bison were diseased and which were not, how long it would take to resolve the issue. Dr. Seroky, State Veterinarian, replied that if brucellosis were to be addressed aggressively it would still take ten to twelve years to eradicate the disease out of the Park; it will probably take even longer. Migrations out of the Park will continue to be a problem because bison numbers are going to continue to increase, and forage capacity will continue to decrease as populations increase. The bison will leave and look for food, and they are going to go to Montana. He estimated that it would be at least five years before anything would be initiated to deal with this. In the meantime the diagnostic lab will be impacted with increased testing. He also expressed concern about the health aspects of Indians taking the carcasses.

Tape No. 1:B:000

Dr. Seroky expressed support for funding the position of District Investigator.

**SEN. JENKINS** pointed out that the brucellosis problem would also be affecting the number of cattle the lab will have to be testing, because of other states' quarantines.

CHAIRMAN DEBRUYCKER wanted to know if the State had any recourse for getting money back from the federal government which the state is having to spend to fight the bison brucellosis problem. He also questioned why a more aggressive approach couldn't be taken at Yellowstone Park, if the federal government would cooperate.

Dr. Seroky said there were several problems. There are problems with having to deal with people in providing animals for testing. The difference between having an infected herd in Montana and an infected bison herd in the Park, is that Montana being a Class 3 state, if the herd is infected, the entire herd has to be

eradicated; politically they do not have this option in the Park. He added that this was an ecosystem problem. If they got rid of the bison in this area, the elk would be a source of infection. especially the southern herd, which has about a 50% infection rate. There is also a problem with there being no fences or facilities to corral the bison in the Park. He stressed that the federal government was going to have to accept that the problem was theirs, and needed to be taken care of at the source. He likened setting up the treatment of the disease on the periphery to treating skin cancer with a scraper. He submitted that the disease is a public disease and everyone has a stake in it. problem has been going on between the states bordering the Park There were 400 head of and the federal government since 1917. bison in the Park in 1967, and the problem could have been taken care of; instead they initiated a natural experiment in the face of public opposition; if the State had done this they would have been sued.

Mr. Mortenson wanted to point out that the brucellosis eradication program was initiated in 1934 because the public health factor involved undolant disease in humans. As the number of infected cattle and swine went down, there was a corresponding decrease in undolant fever in humans as well. Now it is spoken of mainly as a cattle disease, but it is a public health disease. Presently four states are requiring tests on Montana cattle, and more states can be expected to start requiring this. As more and more states become brucellosis free, this shifts more focus on the situation in Yellowstone Park. This problem is a monster that is growing.

Ms. Espy noted that the Department of Livestock did file a bill several years ago against the Park Service for \$11,000. They made this appeal but they were denied. Because they had to test cattle that were in a free state due to the bison crossing into Montana, this should be a responsibility of the federal government. The Governor and the Department of Livestock are trying to focus on the culprit which is the Park Service. Borrowing from a report by the Brucellosis Committee, she asked why it was that buffalo or cattle that are infected cannot be on federal land but bison are. She submitted that the industry looked to the Board of Livestock to take this problem and try and get it resolved.

Mr. Lloyd said he had asked the Department of Fish, Wildlife and Parks about instating a bison hunting license. He was told they couldn't do that because the bison was an illegal animal in Montana. Dr. Seroky said there was a law that stated that no animals from exposed or infected herds were allowed in the State. In addition there is a rule that says no migrating bison will be allowed to come into Montana and remain. He added that the natural refrigeration the Park provides is an ideal environment for brucellosis. After the spring thaw the organism can live for another 100 days, so it doesn't matter when the animal aborts or when cattle are in the area. It has been said that if you have

one cow that has been infected she can infect 28 other herds in six other states before you find out, and this is what the other states are worried about. Regarding the statement in the Great Falls Tribune that the brucellosis bison carry are not susceptible to cattle, Dr. Seroky disagreed, and submitted that the word "wild" in front of an animal's name meant nothing; there is everything to suggest that the disease acts exactly the same In response to SEN. JENKINS, Dr. in wild animals and cattle. Seroky said the State's control of bison within Montana but still inside the Park had been mitigated by the Bison Interim Management Agreement, set forth in 1990, to deal with the problem until an environmental impact statement could be completed. added that the EIS was still not completed. The Department disapproves of the EIS suggestion that the problem can be treated on the periphery of the Park.

- Mr. Mortenson said he suspected the incidence of the disease in the Park's northern elk herd was going to rise.
- Ms. Espy added that the Indians taking the bison meat were being protected from the disease. The Department is providing rubber gloves and help with removing the reproductive organs, etc.
- Mr. Skufca then returned to the subject of the budget. If the committee approves the executive base plus present law adjustments and new proposals, there will actually be a reduction from what was spent in 1994. A total of \$390,000 in vacancy savings is figured in the budget, but the pay plan if enacted would only cost \$270,000; therefore there should be room to expand and still cover the pay plan costs. The hearing was closed on the Disease Control Program.

### BUDGET ITEM: Milk & Egg Program

Mr. Lloyd gave an overview; there were no issues with this budget.

Mr. Skufca spoke. The three year average for equipment was \$4.593 in 1993: purchase of one vehicle was delayed for one year, and this skewed the average somewhat. The hearing on the Milk & Egg Program was closed.

#### BUDGET ITEM: Meat & Poultry Inspection Program

- Mr. Lloyd gave his overview. Although additional funding for laboratory testing was provided by this subcommittee in the last Legislative session, based on the Executive's justification, the testing was not done and the funding was not spent.
- Ms. Smith said the personal services reduction was a grade ll not a grade 8 as it appears in the budget book; the base amount is correct.

Mr. Skufca then testified. The program currently leases about five vehicles because the federal government won't pay for purchases. They are under the impression that they will have to be doing additional meat sample testing. The original request was for \$10,000 and the OBPP reduced that amount to \$5,000.

Tape No. 2:A:000

SEN. JENKINS wanted to know the pros and cons of leasing vs. purchasing vehicles. Mr. Skufca said he had not done the comparison, but it was a moot point because the federal government would only allow leasing. CHAIRMAN DEBRUYCKER suggested the possibility of leasing the vehicles from the State Motor Pool. Mr. Skufca said they had not asked the Motor Pool about this for several years, but at one time it had been difficult to get permanently assigned vehicles. Ms. Smith said that this biennium some of the budgets would have leases through the Motor Pool. This will be an experimental program. The hearing on the Livestock Department was then closed.

Mr. Skufca left some information about the major sources of revenue for the Department of Livestock; see EXHIBIT 1.

# HOUSE NATURAL RESOURCES SUBCOMMITTEE January 6, 1995 Page 7 of 7

### **ADJOURNMENT**

Adjournment: 9:28 a.m.

ROGER DEBRÜYCKER, Chairman

DEBBIE ROSTOCKI, Secretary

RD/dr

This meeting was recorded on two 90-minute audiotapes.

### NATURAL RESOURCES

# Joint Appropriations Subcommittee

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DATE	1/6/95
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NAME	PRESENT	ABSENT	EXCUSED
Rep. Roger DeBruycker, Chairman			
Rep. John Johnson	V		
Rep. Bill Wiseman	V		
Sen. Judy Jacobson			
Sen. Loren Jenkins			
Sen. Tom Keating, Vice Chairman			V

### MAJOR SOURCES OF REVENUE FOR THE DEPARTMENT OF LIVESTOCK

	Total Rev. F.Y.9	4 % of Total
Per Capita Fees	2,172,589	. 53%
Brand Inspection Fees	649,105	16%
License Fees	197,770	5%
Interest Earnings	208,928	5%
Laboratory Testing Fees	293,708	7%
Fish, Wildlife & Parks Grant	99,428	2.5%
Administrative Fees (Beef Council)	80,223	2%
Federal Meat/Inspection	282,289	7%
Federal Reimbursements	46,060	1%
Surplus Property & Stock Estr	ay 29,510	.5%
Miscellaneous Reimbursements	35,453	_1%_
•	4,095,063	100%

General Fund replaced with State Special Revenue since f.Y. 92 thru f.y.95 - \$1,474,106.

F.Y. 95 Total Department Budget = \$5,696,657

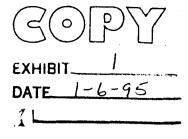
			% of Budget
General Fund	=	\$ 405,783	7.1%
beace bpectar her.	=	4,924,169	86.5%
Federal	=	366,705	6.4%
Total	=	\$5,696,657	100.0%

PROGRAM	F.T.E.'s (F.Y. 95)
Centralized Services	10.0
Diagnostic Laboratory	18.0
Disease Control (A.H.)	8.75
Milk & Egg	4.00
Inspection & Control (Brands)	63.21
Predator Control	.25
Meat/Poultry Inspection	13.50
	117.71

### CURRENT PER CAPITA FEES FOR F.Y. 95

All	Cattle	1.20	(per	head)
All	Sheep & Goats	.25	(per	head)
All	Horses & Mules	2.00	(per	head)
A11	Hogs	.40	(per	head)
All	Poultry	.02	(per	head)
All	Bees	.21	(per	hive or brd)
	llamas, bison & mestic ungulates	5.00	(per	head)

MONTANA DEPARTMENT OF LIVESTOCK P.O. Box 202001 Helena, MT 59620-2001 (406) 444-2023



April 6, 1994

TO:

Jim Peterson, Executive Vice President

Montana Stockgrowers Association

FROM:

E.E. "Cork" Mortensen, Executive Secretary

To the Board of Livestock

RE:

Per Capita Fees

As you know, the Board of Livestock at its last regularly scheduled meeting, February 3 & 4, 1994, set the per capita fees on livestock.

As per your request, is a report on the recent history of the per capita fees and reasoning behind the Board of Livestock action. I've also attached the Department of Revenue 1994 livestock schedule.

c. Board of Livestock

Attachment

### MONTANA DEPARTMENT OF LIVESTOCK P.O. Box 202001 Helena, MT 59620-2001 (406) 444-2023



April 5, 1994

TO:

E.E. "Cork" Mortensen, Executive Secretary

To the Board of Livestock

FROM:

John Skufca, Administrator Centralized Services Division

RE:

Per Capita Fees

As a result of SB 340 passed during the 1987 legislative session the "ad valorem" (value & mill levy based) tax on livestock used to support the Department of Livestock was changed to a per capita tax (set amount per animal). The following is a schedule of the per capita fees approved by the Board of Livestock since their inception beginning with tax year 1933. These fees are per head or in the case of bees, per hive or board:

Types of Livestock				Tax	Year	· · · · · · · · · · · · · · · · · · ·		
	1988	1989	1990	1991	1992	1993	1994	
All cattle (9 mos. & older)	1.14	1.20	1.20	1.20	1.20	1.08	1.20	
All sheep & goats (9 mos. & older)	.20	.21	.21	.21	.21	.21	.25	
All horses & mules (9 mos. & older)	1.50	1.59	1.53	1.53	1.58	1.58	2.00	
All hogs (3 mos. & older)	.35	.37	.37	.37	.37	.37	.40	
All poultry All bees	.01	.01	.01	.01	.01	.01	.02	
All llamas			.21			.21 2.00		
<pre>(9 mos. &amp; older) All bison &amp; domestic ungulates (9 mos. &amp; older)</pre>					2.00	2.00	5.00	

Llamas, bison and domestic ungulates were not included in the definition of livestock for per capita fee purposes until tax year 1992.

When the Board set the initial per capita fees on livestock for tax year 1988, they reviewed the previous structure of taxation under the ad valorem method. It was decided that some continuity as far as relationship between the types of livestock and the amount that each contributed be maintained, i.e. the amount assessed on cattle versus sheep would be approximately 5 to 1. In addition, it was necessary to increase the revenue collected through this mechanism to fund the departments operations, the % increase would be somewhat consistent for all types of livestock and there would not be a significant increase from previous amounts based on an average per head.

EXHIBIT_	
DATE	1-6-95
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The average per head within a category or type of livestock was calculated by totalling the amounts received from all animals in a category i.e. cattle; sheep; horses, etc. regardless of value and dividing by the total number of livestock within that category, as under the ad valorem method the tax is based on values for different sex, age, and whether an animal is stock or registered.

As you may be aware during the most recent board meeting, per capita fees for tax year 1994 were raised on all categories of livestock with the exception of bees. These raises were felt to be necessary as a result of an in depth fund balance need analysis that included projections of revenues and expenditures for the department along with appropriate cash balances necessary to fund the department through fiscal year end 1997.

Even with the increases in revenue projected through Fiscal Year 97, the department's reserve fund balances at the end of FY 97 will decrease from 50% of appropriations to 40% or less. A reserve of at least 40% is desired due to the timing of revenue received by the department, in particular the per capita fees. These fees are the major source of revenue for the department and are received in December and June each year. Therefore, a June 30th fiscal year end balance of 40% is not inappropriate, as those fees along with other inspection and license fees collected from July thru November are needed to fund the department until December when the next per capita influx of revenue is received.

In addition, the department is limited by statute as to the amount it can increase the per capita fee by in any one year. State statute, M.C.A. 15-24-922, subsection (2) states "The per capita tax levy must be calculated each year to provide not more than 110% of the average annual revenue that was generated in the three (3) previous years".

If the department were to have a negative cash balance in it's operating accounts at any time it would necessitate a loan from the state's general fund until sufficient cash was received to carry out operational expenditures. I don't believe the Department of Livestock or the industry it serves desires to add to the liability of the State's General Fund.

Due to committee actions by the full House Appropriations Committee and concurred in by the Legislature, funding switches from general fund to State Special Revenue have occurred over the last three (3) fiscal years that have resulted in additional revenue needs for the Department of Livestock amounting to \$1,474,105. One example is during the regular 1993 legislative session \$498,113 in general fund funding for the 1994-95 biennium was switched to state special revenue in the Department's Diagnostic Laboratory Program. Although all the funding switches did not impact the department all at once, some each fiscal year, there long term effects require additional revenue of 1.2 million to cover on-going costs of operating the department thru FY 97. This is in addition to the new fees realized through HB 516, the Milk & Egg Program funding mechanism passed during the 1993 regular legislative session. (This program was previously funded by the General Fund). Thus, by increasing per capita fees this year it will enhance revenues in the future to compensate for the changes in funding within the department. Since fiscal year 1991 thru fiscal year 1994, the general fund portion of the department's budget has decreased from 17.3% to 7.4% of the total.

The largest increase in per capita fees affected two of the categories; llamas and bison/domestic ungulates. In recent years the department has spent an inordinate amount of time regulating these previously, unclassified for livestock purposes, types of livestock. For example, efforts related to TB in game farm animals, new rules and identification practices related to the game farm industry and efforts to control the spread of disease from the Yellowstone Park bison herd. Inspection fees for the above do not come near the cost of administering livestock regulations regarding these two categories of livestock therefore, the Board felt it appropriate to recover those costs through the per capita fees attributed.

The majority of the increased revenue needed for the future will be collected through cattle producers. Of the projected increase in per capita revenue from all categories of livestock, cattle will contribute 73%.

If you desire further information or a more in depth analysis of fund balances, please let me know.

c. Board of Livestock

### 1994 LIVESTOCK SCHEDULE

DATE 1-6-95

### SECTION 1 - PER CAPITA TAX ONLY

· YPE	AGE	CODE	MARKET <u>VALUE</u>	PER HEAD CAPITA TAX
Horses, Mules, Asses, viinature Horses,	0.00	5001	60	02.00
& Shetland Ponies	9-23 months	5001	\$0	\$2.00
Bulls and Cattle			•	•
tock and Registered	9-23 months	5002	0	1.20
Slicep	9-23 months	5006	0	.25
Swine		5007	0	.40
Chats	9-23 months	5003	0	.25
Poultry		5009	0	.02 ·
2 tos		5010	Ö	.21Per/
Ned				hive
Buffalo, Elk, Llamas, Deer Cother Domestic				•
Jngulates	9-23 months	5011	0	5.00

## SECTION 2 - AD VALOREM AND PER CAPITA TAX

			• •		
TYPE	AGE	CODE	MARKET <u>VALUE</u>	PER HEA	
	<u> Horses</u>				
Mules, Asses, Shetland, Ponies, Donkeys, &	•		•		
Burros		5102 · 5103	\$ 448 2,239	\$2.00 2.00	
Brood Mares	24 months - 14 years	5105	896	2.00	
Horses, Riding & Pack Mules	24 months - 14 years	5107	1,045	2.00	
Roping Horses		5108 · 5109	1,493 597	2.00	
	Cattle				
Stock & Grade Bulls Cattle Cattle Steers Dairy Cattle	24-32 months 33 months & older 33 months & older	5312 5315 5316 5317 5318	\$ 873 388 437 582 582	\$1.20 1.20 1.20 1.20 1.20	
	as purebred will be those used will be valued as stock and gra		tion of registere	d/purebred	cattle
Purebred Bulls		5352 5355 5356	\$1,135 / 504 567 /	\$1.20 1.20 1.20	
	Sheep				
Registered Bucks Stock - Bucks Sheep Sheep	24 months & older 24-70 months	5502 5503 5504 5506	\$ 166 128 45 13	\$ .25 .25 .25 .25	

PPBA-25

DATE 1-6-95

# SECTION 2 - AD VALOREM AND PER CAPITA TAX (continued)

TYPE	AGE	CODE	MARKET VALUE	PER HEAD CAPITA TAX
· air	<u>Swine</u>			
Boars		5701 5703	\$ 139 110	<b>\$</b> .40 .40
	Goats			
Bucks		5402 5403	\$ 10 36	\$ .25 .25
	. Miscellaneous		·	,
Elk, Yaks, & Buffalo		5872	\$1,135	\$5.00
Elk, Yaks, & Buffalo		5873	567	5.00
Male Llanias	All - 24 months & older	5874	1,493	5.00
Neutered Llamas		5875	1,045	.5.00
Exotic Goats	All - 24 months & older	5876	36	.25
Exotic Pigs	All - 24 months & older	5877	139	.40
Female Llamas	All - 24 months & older	5878	2,239	5.00
Deer	All - 24 months & older	5879	448	5.00
Miniature Horses	All - 24 months & older	5880	1,493	2.00

### SECTION 3 - AD VALOREM TAX ONLY

## Other Livestock

TYPE	AGE	CODE	MARKET VALUE	PER HEAD CAPITA TAX
Other Fur Bearing Animals	. All	5851	(Call Helena)	N.
Fox/Bobcat/Coyote	. All	5852	\$39	0
Mink, Beaver, Ferret, &		•		
Chinchilla	. All	5853	. 19	0 · ·
Breeding Rabbits	. All	5854	12	0
Fryer Rabbits		5855	· 3	0
Miscellaneous Animals		5871	(Call Helena)	

### HOUSE OF REPRESENTATIVES

### VISITOR'S REGISTER

Doint Common Matural Resources committee BILL NO  DATE 1-6-95 SPONSOR(S)						
PLEASE PRINT	PLEASE PRINT	PLEASE PRIN				
NAME AND ADDRESS	REPRESENTING	BILL	orpose	SUPPORT		
Cal Montenion	Bil of Lucitock		Maria de la companya			
Look Montenson	11			2		
Larry Stackhouse	1 1					
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PLEASE LEAVE PREPARED TESTIMONY WITH SECRETARY. WITNESS STATEMENT FORMS ARE AVAILABLE IF YOU CARE TO SUBMIT WRITTEN TESTIMONY.