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2 INTRODUCED BY

SENATE BILL NO. 116
Mike Spangue

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4 A BILL FOR AN ACT ENTITLED: "AN ACT IMPLEMENTING THE RECOMMENDATION OF THE GOVERNOR'S
 5 TASK FORCE TO RENEW MONTANA GOVERNMENT BY ELIMINATING STATE MILK PRICE CONTROL
 6 REGULATIONS; DECONTROLLING THE PRICE OF MILK AT THE RETAIL, WHOLESALE, AND PRODUCER
 7 LEVELS; ELIMINATING THE BOARD OF MILK CONTROL; AMENDING SECTION 81-22-102, MCA;
 8 REPEALING SECTIONS 2-15-1802, 81-23-101, 81-23-102, 81-23-103, 81-23-104, 81-23-105, 81-23-106,
 9 81-23-201, 81-23-202, 81-23-203, 81-23-204, 81-23-302, 81-23-303, 81-23-304, 81-23-305,
 10 81-23-401, 81-23-402, 81-23-403, 81-23-404, 81-23-405, AND 81-23-406, MCA; AND PROVIDING A
 11 DELAYED EFFECTIVE DATE."

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13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

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15 **Section 1.** Section 81-22-102, MCA, is amended to read:

16 **"81-22-102. General authority of department.** (1) The department may regulate and establish
 17 sanitation standards for persons operating dairies producing milk for manufacturing purposes. The
 18 department may regulate and establish sanitation and quality standards for a person engaged in the
 19 processing of manufactured dairy products or of products made or sold in the semblance or imitation of
 20 dairy products in this state when those products made in semblance or imitation of dairy products are made
 21 in a manufactured dairy products plant.

22 (2) The department may adopt minimum standards for the production, transportation, grading,
 23 testing, use, processing, packaging, and storage of milk and cream used for manufacturing purposes and
 24 of manufactured dairy products.

25 ~~(3) The department shall adopt rules and establish fees for licenses for selling or producing milk~~
 26 ~~as required by 81-23-202."~~

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29 **NEW SECTION. Section 2. Repealer.** Sections 2-15-1802, 81-23-101, 81-23-102, 81-23-103,
 30 81-23-104, 81-23-105, 81-23-106, 81-23-201, 81-23-202, 81-23-203, 81-23-204, 81-23-302,

1 81-23-303, 81-23-304, 81-23-305, 81-23-401, 81-23-402, 81-23-403, 81-23-404, 81-23-405, and
2 81-23-406, MCA, are repealed.

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4 NEW SECTION. **Section 3. Effective date.** [This act] is effective January 1, 1996.

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-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for SB0116, as introduced

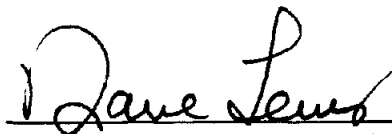
DESCRIPTION OF PROPOSED LEGISLATION:

An act implementing the recommendation of the Governor's task force to renew Montana government by eliminating state milk price control regulations, and eliminating the Board of Milk Control.


ASSUMPTIONS:

1. The Milk Control Bureau (MCB) will close its doors on 12/31/95. Thus, only half the budget will be expended in FY96 (plus \$29,000 in accrued leave payouts). Indirect and fixed costs assessed to MCB will be reallocated to remaining programs, amounting to \$10,000 in FY96 and \$24,500 in FY97.
2. Unencumbered cash remaining in the MCB state special revenue account at 12/31/95 (estimated at \$150,000), will be transferred to the general fund in FY96.
2. The average statewide cost of a gallon of milk will be \$.60 less after price decontrol takes place (1/1/96).
3. General funded state agencies, that purchase milk from the public market, consume 20,000 gallons of milk a year. This would result in general fund savings of \$6,000 in FY96 and \$12,000 in FY97. It should be noted that the university units consume over 200,000 gallons of milk per year, but because the milk is purchased by auxiliary funds, there is no fiscal impact to state government.
4. The Prison Dairy operation currently sells approximately 103,500 gallons of milk to the prison and other institutions at approximately \$.30 less than market. Under this bill they would sell at the decontrolled market price, or \$.30 less than today. The general fund savings would be \$15,500 in FY96 and \$31,000 in FY97.
5. The Prison Dairy operation's goal is to hire and potentially rehabilitate as many prisoners as possible. Because their goal contradicts principles of fiscal efficiency, and because the operation has extra costs such as security and extra supervision, it is possible that the Prison Dairy operation may not be able to compete with decontrolled milk prices. Although studies will be performed, the worst case scenario would be the elimination of the operation at the end of the biennium, impacting proprietary revenues of \$85,000 in FY96 and \$170,000 in FY97.
6. The Department of Livestock (DOL) will continue its inspection and licensing functions associated with dairies and producers. The DOL is currently funded by fees on milk produced, and operates out of a state special revenue (SSR) account. Because the authority for charging that fee is being repealed in 81-23-202(4), MCA, it is assumed that the funding will be supplied by the general fund. Thus, the fiscal impact of the DOL is a switch in funding from the SSR to the general fund of \$135,000 in FY96 and \$270,000 in FY97.

(Continued)

 1-18-95
DAVE LEWIS, BUDGET DIRECTOR DATE

Office of Budget and Program Planning

 1/18/94
MIKE SPRAGUE, PRIMARY SPONSOR DATE

Fiscal Note for SB0116, as introduced

SB 116

(continued)

FISCAL IMPACT:Expenditures:

	<u>FY96</u>	<u>FY97</u>
	<u>Difference</u>	<u>Difference</u>
Department of Commerce:		
Milk Control Bureau:		
FTE	(2.50)	(5.00)
Personal Services (02)	(53,400)	(165,600)
Operating (02)	<u>(22,900)</u>	<u>(46,500)</u>
Total	(76,300)	(212,100)
Department of Livestock:		
Funding transfer:		
General Fund (01)	135,000	270,000
Dairy Inspect. SSR (02)	(135,000)	(270,000)
Department of Corrections:		
Operating (01)	(15,500)	(31,000)
Other state government:		
Operating (01)	(6,000)	(12,000)
<u>Funding:</u>		
General fund (01)	113,500	227,000
Milk control SSF (02)	(86,300)	(236,600)
Commerce SSR (02)	10,000	24,500
Dairy Inspect. SSR (02)	<u>(135,000)</u>	<u>(270,000)</u>
Total	(97,800)	(255,100)

Revenues:

General fund transfer (01)	150,000	-
Milk Control Bd. SSR (02)	(86,300)	(236,600)
Dairy Inspect. SSR (02)	(135,000)	(270,000)
Prison Dairy (06)	(85,000)	(170,000)

Net Impact:

	<u>FY96</u>	<u>FY97</u>
	<u>Difference</u>	<u>Difference</u>
FTE	(2.50)	(5.00)
General fund (01)	37,000	(227,000)
State special revenue (02)	(10,000)	(24,500)
Prison dairy prop. (06)	<u>(85,000)</u>	<u>(170,000)</u>
Total	(58,000)	(421,500)

EFFECT ON LOCAL GOVERNMENT AND GENERAL PUBLIC REVENUES OR EXPENDITURES:

School milk costs could be reduced by over \$1.3 million. However, some of those savings would be recognized by the paying students, and by federal grants.

The average Montanan drinks 28 gallons of milk annually. If 25 of those gallons were purchased through full service grocery stores at a \$.60 savings, Montanan's would save \$12.6 million per year.

TECHNICAL NOTES:

1. Rule making authority for the Department of Livestock for licensing and establishing fees of dairies is eliminated by lines 25 and 26 of the bill. If intended, rule making would be restored by eliminating only line 26.
2. Stated disposition of the unencumbered cash in the Milk Control Board SSR account after January 1996 is needed.
3. Repealing of 81-23-202(4), MCA, switches funding of the Department of Livestock dairy inspection program from the current fees imposed on dairies to the general fund.