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**Testimony of Dr. Ethan Andress
State Veterinarian
North Dakota Department of Agriculture
North Dakota Board of Animal Health**

House Bill 1101

House Agriculture Committee

Room 327C

January 5, 2023

Chairman Thomas and members of the House Agriculture Committee, I am Dr. Ethan Andress, State Veterinarian. I am here today on behalf of the North Dakota Department of Agriculture and the North Dakota Board of Animal Health in support of House Bill 1101, which would increase administrative efficiencies in the Office of the State Veterinarian by eliminating unnecessary calculations of actual costs associated with distributing brucellosis tags and Certificate of Veterinary Inspection (CVI) books.

The North Dakota State Board of Animal Health and State Veterinarian's Office are responsible for distributing CVI/Health Certificate Books, and official identification tags provided by USDA APHIS including National Uniform Eartagging System (NUES) metal tags, Radio-frequency identification tags (RFID) and ultra-high frequency tags (UHF) to veterinarians.

All items are preordered from purchased or federally allocated inventory by veterinarians with payment by check prior to shipping. The veterinarians submit Form 19365 on the North Dakota Department of Agriculture website. In this biennium, to October 31, 2022, we have provided 203 books, 219,000 NUES tags, 78,000 RFID tags, and 1,500 UHF tags at a retail value of \$254,538.10.

Under current law, the Board must charge the "actual cost." The process of administratively calculating an "actual" cost is not compatible with how our office effectively distributes tags and books. Tracking all the variables in relation to determining the "actual cost" is highly challenging and subject to inaccuracy. We must meticulously calculate personnel staff time, postage variables, inventory costs, costs of the products, mailing materials, etc.

In this biennium, up to October 31, 2022, we have generated \$7,157.00 in revenue. Our expenditures up to October 31, 2022, are \$5,816.64. Labor accounts for \$2,345.44, postage is \$3,471.20. Our fiscal reports do not account for the inventory cost as the CVI books were purchased in the previous biennium. The cost of the books sold is \$2,520.95.

The replacement cost of the CVI books is contracted at \$16.95 to \$25.36 depending on the size of the order, while our purchase cost of books sold is \$12.42 each. They are distributed to the veterinarians for \$20 each. The NUES and RFID tags are provided, at this time, free from the Federal government and distributed with a price to offset labor and postage. Postage is a variable with huge swings depending on location being shipped to, size of order and carrier. Moreover, tracking of labor is not precise as time must be submitted in half-hour increments.

Inventory costs are relatively consistent but come in large volumes annually that may carry over to the next biennium. We do not charge veterinarians for tags picked up at the office, but charge the same price for the CVI books. The goal is to be consistent and achieve a net zero on an annual basis. Some volume orders end up being net positive and small orders are net negative.

This effective change in law would not change our procedures or processes. The change is intended to reduce unnecessary administrative time expended during the process. The fiscal department and our office spend a highly disproportionate time allocated on a small amount of dollars simply to calculate and then justify "actual" cost. Alternative processes have been considered, but also create additional labor and fees associated with accepting electronic payments. This proposed change will serve the regulated community and make state government more efficient.

We were advised by Joseph "Dutch" Bialke, Legal Counsel for Dept of Agriculture, to move this portion to a more appropriate location in the Century Code, again to better serve the regulated community. The wording of these changes was reviewed by Matt Sagsveen, Board of Animal Health Legal Counsel, and approved in a motion by the Board at the Quarterly Board meeting on December 7, 2022, to proceed with recommending these proposed changes to the Legislature.

As intended, the charging for tags and books is a recovery of expenses for the taxpayers. Over many years, the balance of the continued appropriation has reached \$15,817.73 at the end of the previous biennium. As it is a continued appropriation, we carry over any surplus funds to the next biennium as a requested appropriation. As noted, as our tracking of expenses has improved and postage and printing costs of books have increased, we are seeing the fund be depleted, as expected under the law.

Chairman Thomas and committee members, thank you for your consideration of HB 1101. I would be happy to answer any questions you may have.