

TESTIMONY OF TIM MOYER
EXECUTIVE SECRETARY PA MILK MARKETING BOARD

AMENDMENT TO 7 PA. CODE CHAPTER 150
MILK MARKETING FEES

May 23, 2019

Good morning,

After a thorough analysis of our current budget balance, projected receipts under the current regulations and projected personnel and operating expenses, I believe it is necessary to request an increase in many of the fees that fund the Pennsylvania Milk Marketing Board.

History

From a historical perspective, the board became primarily funded by hundredweight license fees in 1992. At that time the controlled and non-controlled hundredweight fees were established at rates of \$.035/cwt for controlled milk and \$.0050/cwt for non-controlled milk, with the hauler rate being set at \$.0050/cwt. The Board also received a general fund appropriation of \$125,000. The general fund appropriation was discontinued after the 1996-97 fiscal year. The 1992 hundredweight fee rates remained in effect until January 26, 2004, when the current rates were approved which increased the controlled rate by \$.01/cwt and the non-controlled rate by \$.0007/cwt.

Current Status Spreadsheet

The current tab in our spreadsheet model provides the beginning balance of the milk marketing fund for 07/01/2018 at \$3,679,000.

The model then provides expected receipts based on the parameters on the bottom left area of the model. These parameters include consistent licensee numbers each year and consistent cwt's for both hauler pounds and non-controlled pounds. The fees related to those areas remain fairly consistent from year to year. On the contrary Dealer fees are projected to decrease due to a projected 3% decline in controlled sales and interest decreases because although the rate remains constant the fund balance declines each year.

The model then includes disbursements separated by salary and benefits, and operating expenses. Salary and benefits have been projected using the current union contract as a guide and operational expenses are estimated to increase 2% per year.

We also include non-recurring type expense separately. We anticipate a need to make modifications to our MARS database in the time-frame provided and we are currently working on an online weigher/sampler license renewal project as part of the STIR initiative.

Therefore, for fiscal year 2018-19 we have a beginning balance of \$3,679,000 with expected receipts of \$2,464,144 and total disbursements of \$2,637,245, which results in an ending balance of \$3,505,899. The remaining years follow this same pattern.

Proposed Status Spreadsheet

The proposed tab in our spreadsheet model provides the beginning balance of the milk marketing fund for 07/01/2018 at \$3,679,000.

The model then demonstrates expected receipts based on the parameters on the bottom left area of the model and the new regulations proposed for fiscal year 2020-21. The parameters for number of licensees and cwts do not change in the proposed spreadsheet. Only the fees change, as provided below. Please note there is no fee increase proposed for haulers.

Since the proposed regulations are not expected to take effect until fiscal 2020-21, the budgetary calculations are the same for the current status and the proposed until fiscal year 2020-21.

Current Fiscal Situation

By reviewing the current tab of the spreadsheet developed to analyze our budget situation, you can see that continuing with our current rates creates significant annual deficits of receipts compared with disbursements and an unacceptably low fund balance at the end of fiscal year 22-23. The proposed fee increases will lessen the annual deficits and allow a moderately acceptable fund balance at the end of fiscal year 22-23. This situation is primarily due to the fact the controlled pounds are projected to decline at a 3% rate for each year of our projection while disbursements are projected to increase.

Summary of Proposed Changes and Timing

Dealer license renewal fixed fee from \$50 to \$100: 2021 renewal.	Effective with the 2020-
New dealer license application fixed fee not graduated anymore: publication of the final regulations in the PA Bulletin.	Effective 30 days after
Dealer hundredweight fee increases: license renewal – based on 2019 calendar year.	Effective with the 2020-2021
Controlled rate from \$0.045/cwt to \$0.060/cwt	
Non-controlled rate from \$0.0057 to \$0.0064/cwt	
Subdealer license renewal fixed fee from \$25 to \$50: 2021 renewal.	Effective with the 2020-
New subdealer license app fixed fee not graduated anymore: publication of the final regulations in the PA Bulletin.	Effective 30 days after
Subdealer quart-equivalent fee 25% increase: publication of the final regulations in the PA Bulletin for new subdealers.	Effective 30 days after
Effective for renewals with the 2020-2021 license year renewal. Based on 2019 calendar year <i>sales</i> as self-reported on the license renewal application.	
Hauler license fee renewal fee from \$30 to \$35: renewal.	Effective with the 2020-2021
Weigher – Sampler and Tester fee from \$20 to \$25: publication of the final regulations in the PA Bulletin for new applicants.	Effective 30 days after
Examination fee from \$25 to \$30: publication of the final regulations in the PA Bulletin for new applicants.	Effective 30 days after

CURRENT

	FYE 18-19	FYE 19-20	FYE 20-21	FYE 21-22	FYE 22-23
Beginning Cash Balance	3,679,000 \$	3,505,899 \$	3,150,894 \$	2,620,719 \$	1,936,384
Receipts					
Dealer - Controlled Cwt Fees	\$ 1,703,229	\$ 1,677,006	\$ 1,651,570	\$ 1,626,897	\$ 1,602,964
Hauler - Cwt Fees	\$ 609,135	\$ 609,135	\$ 609,135	\$ 609,135	\$ 609,135
Subdealer - Quarts Fees	\$ 18,000	\$ 18,000	\$ 18,000	\$ 18,000	\$ 18,000
Dealer - Fixed Fees	\$ 9,950	\$ 9,950	\$ 9,950	\$ 9,950	\$ 9,950
Hauler - Fixed Fees	\$ 5,700	\$ 5,700	\$ 5,700	\$ 5,700	\$ 5,700
Subdealer - Fixed Fees	\$ 4,050	\$ 4,050	\$ 4,050	\$ 4,050	\$ 4,050
Weigher/Sampler - Fixed Fees	\$ 32,780	\$ 32,780	\$ 32,780	\$ 32,780	\$ 32,780
Tester - Fixed Fees	\$ 1,300	\$ 1,300	\$ 1,300	\$ 1,300	\$ 1,300
Examination Fees	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Fines/Other Fees	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Interest @1.75%	\$ 70,000	\$ 61,353	\$ 55,141	\$ 45,863	\$ 33,887
TOTAL Receipts	\$ 2,464,144	\$ 2,429,274	\$ 2,397,626	\$ 2,363,675	\$ 2,327,766
Total Funds Available	\$ 6,143,144	\$ 5,935,173	\$ 5,548,520	\$ 4,984,393	\$ 4,264,150
Disbursements					
Salary & Benefits	\$ 2,237,245	\$ 2,354,279	\$ 2,411,641	\$ 2,523,526	\$ 2,640,708
Operating Expenses	\$ 400,000	\$ 408,000	\$ 416,160	\$ 424,483	\$ 432,973
Total Operational Disbursements	\$ 2,637,245	\$ 2,762,279	\$ 2,827,801	\$ 2,948,009	\$ 3,073,681
Other Expense - MARS			\$ 100,000	\$ 100,000	
Other Expense STIR		\$ 22,000			
Total Disbursements	\$ 2,637,245	\$ 2,784,279	\$ 2,927,801	\$ 3,048,009	\$ 3,073,681
Receipts less Disbursements	\$ (173,101)	\$ (355,005)	\$ (530,175)	\$ (684,335)	\$ (745,915)
Ending Cash Balance	\$ 3,505,899	\$ 3,150,894	\$ 2,620,719	\$ 1,936,384	\$ 1,190,469

Receipts Detail

Licensees
Annual
Report

Annual %
Change

	-3%	Controlled LBS	1,942,426,933	1,884,154,125	1,827,629,501	1,772,800,616	1,719,616,598
		Controlled Rate/Cwt	\$ 0.0450	\$ 0.0450	\$ 0.0450	\$ 0.0450	\$ 0.0450
	0%	Uncontrolled LBS	14,546,258,421	14,546,258,421	14,546,258,421	14,546,258,421	14,546,258,421
		Uncontrolled Rate/Cwt	\$ 0.0057	\$ 0.0057	\$ 0.0057	\$ 0.0057	\$ 0.0057
	0%	Hauler LBS	12,182,700,400	12,182,700,400	12,182,700,400	12,182,700,400	12,182,700,400
		Hauler Rate/Cwt	\$ 0.0050	\$ 0.0050	\$ 0.0050	\$ 0.0050	\$ 0.0050
		Sub-dealer Qt Fee % Increase	0%	0%	0%	0%	0%
199		Fixed Fees per Dealer	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50
162		Fixed Fees per Sub-dealer	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25
190		Fixed Fees per Hauler	\$ 30	\$ 30	\$ 30	\$ 30	\$ 30
1639		Fixed Fees per Weigher Sampler	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20
65		Fixed Fees per Tester	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20
200		Examination Fees per Exam	\$ 25	\$ 25	\$ 25	\$ 25	\$ 25
		Interest Rate		1.75%	1.75%	1.75%	1.75%
		Operation Expense % Increase		2%	2%	2%	2%

PROPOSED

	FYE 18-19	FYE 19-20	FYE 20-21	FYE 21-22	FYE 22-23
Beginning Cash Balance	3,679,000 \$	3,505,899 \$	3,150,894 \$	3,025,657 \$	2,745,123
Receipts					
Dealer - Cwt Fees	\$ 1,703,229	\$ 1,677,006	\$ 2,027,538	\$ 1,994,641	\$ 1,962,730
Hauler - Cwt Fees	\$ 609,135	\$ 609,135	\$ 609,135	\$ 609,135	\$ 609,135
Subdealer - Quarts Fees	\$ 18,000	\$ 18,000	\$ 22,500	\$ 22,500	\$ 22,500
Dealer - Fixed Fees	\$ 9,950	\$ 9,950	\$ 19,900	\$ 19,900	\$ 19,900
Hauler - Fixed Fees	\$ 5,700	\$ 5,700	\$ 6,650	\$ 6,650	\$ 6,650
Subdealer - Fixed Fees	\$ 4,050	\$ 4,050	\$ 8,100	\$ 8,100	\$ 8,100
Weigher/Sampler - Fixed Fees	\$ 32,780	\$ 32,780	\$ 40,975	\$ 40,975	\$ 40,975
Tester - Fixed Fees	\$ 1,300	\$ 1,300	\$ 1,625	\$ 1,625	\$ 1,625
Examination Fees	\$ 5,000	\$ 5,000	\$ 6,000	\$ 6,000	\$ 6,000
Fines/Other Fees	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Interest	\$ 70,000	\$ 61,353	\$ 55,141	\$ 52,949	\$ 48,040
TOTAL Receipts	\$ 2,464,144	\$ 2,429,274	\$ 2,802,564	\$ 2,767,475	\$ 2,730,655
Total Funds Available	\$ 6,143,144	\$ 5,935,173	\$ 5,953,458	\$ 5,793,132	\$ 5,475,778
Disbursements					
Salary & Benefits	\$ 2,237,245	\$ 2,354,279	\$ 2,411,641	\$ 2,523,526	\$ 2,640,708
Operating Expenses	\$ 400,000	\$ 408,000	\$ 416,160	\$ 424,483	\$ 432,973
Total Operational Disbursements	\$ 2,637,245	\$ 2,762,279	\$ 2,827,801	\$ 2,948,009	\$ 3,073,681
Other Expense - MARS			\$ 100,000	\$ 100,000	
Other Expense STIR		\$ 22,000			
Total Disbursements	\$ 2,637,245	\$ 2,784,279	\$ 2,927,801	\$ 3,048,009	\$ 3,073,681
Receipts less Disbursements	\$ (173,101)	\$ (355,005)	\$ (125,237)	\$ (280,534)	\$ (343,026)
Ending Cash Balance	\$ 3,505,899	\$ 3,150,894	\$ 3,025,657	\$ 2,745,123	\$ 2,402,097

Receipts Detail

Licensees
Annual
Report

Annual %
Change

	-3%	Controlled LBS	1,942,426,933	1,884,154,125	1,827,629,501	1,772,800,616	1,719,616,598
		Controlled Rate/Cwt	\$ 0.0450	\$ 0.0450	\$ 0.0600	\$ 0.0600	\$ 0.0600
	0%	Uncontrolled LBS	14,546,258,421	14,546,258,421	14,546,258,421	14,546,258,421	14,546,258,421
		Uncontrolled Rate/Cwt	\$ 0.0057	\$ 0.0057	\$ 0.0064	\$ 0.0064	\$ 0.0064
	0%	Hauler LBS	12,182,700,400	12,182,700,400	12,182,700,400	12,182,700,400	12,182,700,400
		Hauler Rate/Cwt	\$ 0.0050	\$ 0.0050	\$ 0.0050	\$ 0.0050	\$ 0.0050
		Sub-dealer Qt Fee % Increase	0%	0%	25%	25%	25%
199		Fixed Fees per Dealer	\$ 50	\$ 50	\$ 100	\$ 100	\$ 100
162		Fixed Fees per Sub-dealer	\$ 25	\$ 25	\$ 50	\$ 50	\$ 50
190		Fixed Fees per Hauler	\$ 30	\$ 30	\$ 35	\$ 35	\$ 35
1639		Fixed Fees per Weigher Sampler	\$ 20	\$ 20	\$ 25	\$ 25	\$ 25
65		Fixed Fees per Tester	\$ 20	\$ 20	\$ 25	\$ 25	\$ 25
200		Examination Fees per Exam	\$ 25	\$ 25	\$ 30	\$ 30	\$ 30
		Interest Rate		1.75%	1.75%	1.75%	1.75%
		Operation Expense % Increase		2%	2%	2%	2%

Sub-dealer fees

Quarts/month	Current Annual Rate	Proposed 25% increase
0	29,999	\$ 62.50
30,000	59,999	\$ 125.00
60,000	119,999	\$ 187.50
120,000	149,999	\$ 250.00
150,000	199,999	\$ 312.50
200,000	299,999	\$ 375.00
300,000	399,999	\$ 500.00
400,000	599,999	\$ 625.00
600,000	799,999	\$ 1,000.00
800,000	999,999	\$ 1,500.00
1,000,000 and over	\$1,400	\$ 1,750.00