

Individual State Agency Fiscal Note

Revised

Bill Number: 5045 SB	Title: Meat & poultry inspection	Agency: 495-Department of Agriculture
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

ACCOUNT	FY 2022	FY 2023	2021-23	2023-25	2025-27
Agricultural Local Account-Private/Local 126-7				30,000	30,000
Total \$				30,000	30,000

Estimated Operating Expenditures from:

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	4.0	13.0	8.5	14.0	14.0
Account					
General Fund-State 001-1	1,092,500	2,086,500	3,179,000	4,331,800	4,331,800
Agricultural Local Account-Private/Local 126-7	0	0	0	30,000	30,000
Total \$	1,092,500	2,086,500	3,179,000	4,361,800	4,361,800

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☒ Requires new rule making, complete Part V.

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Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Senate Bill 5045 is relating to state meat and poultry inspection program amending Revised Code of Washington (RCW) 16.50.130, adding new sections to chapter 16.50. Would allow for meat and poultry products from a state meat and poultry program to be sold in intrastate commerce to retail customers. Meeting this requirement would require creation of a Washington State meat and poultry inspection (MPI) program, alignment with the Federal Meat Inspection Act (FMIA), Poultry Products Inspection Act, and the Humane Slaughter Act to allow for intrastate retail sales of custom meat.

Sec. 1. (1) Washington State Department of Agriculture (WSDA) will create state meat and poultry inspection program, alignment with the Federal Meat Inspection Act (FMIA), Poultry Products Inspection Act, and the Humane Slaughter Act.

Sec. 1. (2) WSDA may enter into a cooperative interstate shipping program agreement with United States department of Agriculture (USDA).

Sec. 1. (3) WSDA may adopt rules for inspection program and interstate shipping program. Phase 1 of implementing this bill would be a Washington State meat and poultry inspection (MPI) program (USDA term) that authorizes the processing and sale of meat and poultry products in intrastate commerce to retail customers. The state MPI program must be at least equivalent to USDA inspection programs under the Federal Meat Inspection Act (FMIA), Poultry Products Inspection Act, and the Humane Slaughter Act. WSDA would also likely make this new program responsible for existing Custom Meat and Poultry Processing activities currently housed in the agency's Food Safety Program.

There would potentially be an additional second implementation project phase and associated costs to implement a USDA Cooperative Interstate Shipment (CIS) program that allows for interstate retail sales of meat and poultry products. USDA will not consider recognizing a CIS program until an MPI program is already functional. The CIS program is available to states that have first established a MPI program that is "at least equal to" USDA's regulatory requirements. The USDA provides cost recovery to the state for CIS at "not less than 60% of the cost". CIS implementation costs are not included in this fiscal note, because this is only a possible future project.

Sec. 1. (4) WSDA shall require antemortem and postmortem inspections, quarantine, segregation, and reinspection's by inspectors.

Sec. 1. (5) WSDA inspectors to examine and inspect methods of handling and slaughtering animals.

Sec. 1. (6) WSDA shall require animal showing symptoms of disease to be set apart and slaughtered separately.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

WSDA assumes a \$500 facility licensing fee for purposes of this fiscal note. The licensing fee would have to be much higher if the intent is that user fees will cover the full cost of developing and implementing a state MPI program. The amount of this fee could be adjusted to achieve the desired revenues, but increased user fees would

likely decrease the number of users choosing to participate. Beginning in FY 24, USDA FSIS cost share program may generate program revenue at 50% of the program's operating costs, ongoing for the MPI program.

Potential users would not be required to participate in the state meat inspection program, but could instead choose to continue receiving inspection services from USDA for no cost. Over 130 facilities in Washington State already receive direct services from USDA.

WSDA estimate 30 inspected meat and poultry establishments, based on a survey of 23 other states with similar inspection programs. Assumed fee revenue would be (30 users x \$500/year/user = \$15,000 per year).

If the state MPI program would instead be fully reliant on fees, assume \$72,700 per facility licensing fee. (30 licensees x \$72,700/year/licensee = \$2,181,000 per year) Fees of this magnitude would likely cause all potential participants to choose to receive inspection services from USDA. With no users, actual revenue received under this scenario is likely \$0.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

WSDA assumes it will be challenging for private establishments to meet stringent federal requirements to qualify for state inspection under the new program. Developing the physical plant, operational processes, and prerequisite programs will require a significant private investment by each participating establishment. WSDA does not know how many establishments will make these investments and participate in the new inspection program. WSDA estimate 30 inspected meat and poultry establishments, based on a survey of 23 other states with similar inspection programs with 75 custom meat facilities and slaughter trucks. This number is highly uncertain and has a tremendous impact on program costs. The price point of user fees under this program will have a significant impact on the number of users choosing to participate.

WSDA estimates that it will take at least two years to establish the state MPI program and achieve a USDA equivalency determination. The USDA provides cost recovery for up to 50% of the ongoing program operational expenses, once equivalency is determined and inspections begin. USDA does not provide cost recovery for program development costs, which would include expenses to implement the following nine mandatory components:

1. Statutory Authority and Food Safety Regulations
2. Inspection
3. Product Sampling
4. Staffing and Training
5. Humane Handling
6. Compliance
7. Laboratory Methods and Quality Assurance Program
8. Civil Rights
9. Financial Accountability

Three program operating regions (NW, SW, and EW). Inspection staff would rotate on a fixed schedule between licensed facilities in an assigned area.

Assume USDA FSIS equivalence will be achieved in FY24. Facility inspections and USDA FSIS cost share

covering 50% of operational costs will begin the same year. USDA reimburses 50% of operating expenses for a state MIP, beginning the year following a USDA equivalency determination. USDA does not provide any reimbursement for program development costs.

FY22 FTE's

- 1- Program Manager
- 1- Public Health Advisor 4
- 1- Veterinarian
- 1- Management Analyst 5

FY23 FTE's

- 3- Food Safety Compliance Specialist 2
- 3- Food Safety Compliance Specialist 3
- 1- Program Manager
- 2- Public Health Advisor 4
- 3- Veterinarian
- 1- Management Analyst 5

FY24 to FY27 FTE's

- 3- Food Safety Compliance Specialist 2
- 3- Food Safety Compliance Specialist 3
- 1- Program Manager
- 2- Public Health Advisor 4
- 3- Veterinarian
- 1- Management Analyst 5
- 1- Customer Service Specialist 2

- Professional Service Contract for IT to establish a MPI Inspection/Compliance Application.
 - Hire a contract Project Manager (PM):
Estimated PM effort level - half time for 12 months
Rate \$150/hr. = \$144,000
 - Hire a contract Business Analyst (BA):
Estimated BA effort level - 2 months
Rate \$100/hr. = \$32,000
 - Hire a contract Senior Software Developer (Dev):
Estimated Dev effort level - 10 months
Rate \$125/hr. = \$200,000
 - Total estimated project cost = \$376,000

- Travel, vehicle and equipment.
\$190 Per diem and lodging per night x 6 field staff x 3 days a month x 12 months = \$41,040

- Goods and other services includes one time \$39,000 in FY 2022 and \$26,000 in FY 2023 to FY 2027 is on going consultation and enforcement for Attorney General Office support.
 - Rule Making – 80 hours
 - Program Consultation – 80 hours

- Enforcement – 80 hours

- Debt Service is computer leasing calculated at \$600 per year per person shown as object P.
- Agency Administrative Overhead (payroll, HR, IT and Financial) is calculated at the agency indirect rate of 22.2% of direct program salaries and benefits, and is shown as object 9.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2022	FY 2023	2021-23	2023-25	2025-27
001-1	General Fund	State	1,092,500	2,086,500	3,179,000	4,331,800	4,331,800
126-7	Agricultural Local Account	Private/Local	0	0	0	30,000	30,000
Total \$			1,092,500	2,086,500	3,179,000	4,361,800	4,361,800

III. B - Expenditures by Object Or Purpose

	FY 2022	FY 2023	2021-23	2023-25	2025-27
FTE Staff Years	4.0	13.0	8.5	14.0	14.0
A-Salaries and Wages	385,200	1,126,400	1,511,600	2,343,800	2,343,800
B-Employee Benefits	127,500	391,000	518,500	825,200	825,200
C-Professional Service Contracts	376,000		376,000		
E-Goods and Other Services	87,600	183,400	271,000	390,400	390,400
G-Travel		41,000	41,000	82,000	82,000
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service	2,400	7,800	10,200	16,800	16,800
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-Agency Administrative Overhead	113,800	336,900	450,700	703,600	703,600
Total \$	1,092,500	2,086,500	3,179,000	4,361,800	4,361,800

III. C - Operating FTE Detail: List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA

Job Classification	Salary	FY 2022	FY 2023	2021-23	2023-25	2025-27
Customer Service Specialist 2	45,504				1.0	1.0
Food Safety Compliance Specialist 2	69,264		3.0	1.5	3.0	3.0
Food Safety Compliance Specialist 3	72,756		3.0	1.5	3.0	3.0
Management Analyst 5	88,644	1.0	1.0	1.0	1.0	1.0
Program Manager	98,880	1.0	1.0	1.0	1.0	1.0
Public Health Advisor 4	80,292	1.0	2.0	1.5	2.0	2.0
State Veterinarian	117,420	1.0	3.0	2.0	3.0	3.0
Total FTEs		4.0	13.0	8.5	14.0	14.0

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

IV. D - Capital FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part IVB*

NONE

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

New rulemaking would be required to implement the new inspection program and update existing custom meat rules to reflect federal requirements.