

Individual State Agency Fiscal Note

Bill Number: 5439 S SB PL	Title: Livestock identification	Agency: 495-Department of Agriculture
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Part I: Estimates

No Fiscal Impact

Estimated Cash Receipts to:

ACCOUNT	FY 2024	FY 2025	2023-25	2025-27	2027-29
Agricultural Local Account-State 126-1	(14,000)	532,147	518,147	(29,122)	(1,150,538)
Total \$	(14,000)	532,147	518,147	(29,122)	(1,150,538)

Estimated Operating Expenditures from:

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years	0.0	0.0	0.0	(2.0)	(4.0)
Account					
Agricultural Local Account-State 126-1	14,143	0	14,143	(411,032)	(850,350)
Total \$	14,143	0	14,143	(411,032)	(850,350)

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.

Legislative Contact:	Phone:	Date: 04/04/2023
Agency Preparation: Brennan Kimbel	Phone: 360-688-0893	Date: 04/11/2023
Agency Approval: Jeannie Brown	Phone: 360-902-1989	Date: 04/11/2023
OFM Review: Matthew Hunter	Phone: (360) 529-7078	Date: 04/11/2023

Part II: Narrative Explanation

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

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

PSSB 5439 is related to the livestock identification program and amends 4 sections of RCW 16.57, 1 section of RCW 16.58, and 1 section of RCW 16.65.

Chapters are amended in 16.57 and adds new role of the livestock identification advisory committee in reviewing costs and operations of WSDA livestock identification program, adjusts the number of advisory committee members from 12 to 6, amends the livestock identification fee schedule, and amends the livestock inspection program report due date from September 1st to November 1st, 2023 and annually thereafter. Chapters 16.58 and 16.65 are amended to remove the call out fee charged for inspections performed by certified veterinarians or field livestock inspectors. The bill also establishes new effective and expiration dates for all of these changes.

Section 1 of this bill adds a requirement that the livestock advisory committee must review costs and operations of the program. This has no fiscal impact as the Livestock Identification Program currently shares information about program operations, revenue/expenditure information, and program budget projections with committee members. Section 1 expires July 1, 2026.

Section 2 of this bill adds a requirement that the livestock advisory committee must review costs and operations of the program. This has no fiscal impact as the Livestock Identification Program currently shares information about program operations, revenue/expenditure information, and program budget projections with committee members. Section 2 takes effect July 1, 2026 and does not have a sunset clause.

Section 3 of this bill removes the \$20.00 call out fee that is currently required to be collected and submitted to WSDA by field livestock inspectors or certified veterinarians who are performing brand inspections on behalf of WSDA. In Fiscal Year 2022, the Livestock Identification Program collected \$14,236 in revenue from call out fees from field livestock inspectors and certified veterinarians. The fee increases enacted in this section of law in 2019 legislation are currently set to expire July 1, 2024. This bill extends those fee increases two more years to July 1, 2026 (per section 8). Effective July 1, 2026 the fees in this section will revert back to what they were previously in 2019, if not further extended. The program is funded 100% by producer fees. The projected impact if fees revert back to the fee structure in place prior to the 2019 legislation would be approximately -\$560,147 per fiscal year, resulting in the program going below the two month operating reserve in February of 2027, and having a negative fund balance in July of 2027.

Section 5 of this bill removes the \$20.00 call out fee that is currently required to be collected and submitted to WSDA by field livestock inspectors and certified veterinarians from collecting and submitting a \$20.00 call out fee per trip when inspections are completed on behalf of WSDA at a certified feedlot. This section expires July 1, 2026 (per section 8). Effective July 1, 2026 the \$0.28 per head fees in this section will expire and revert back to \$0.25 per head fees existing prior to the 2019 legislation.

Section 6 of this bill also removes the \$20.00 call out fee that is currently required to be collected and submitted to WSDA by field livestock inspectors and certified veterinarians from collecting and submitting a \$20.00 call out fee per trip when inspections are completed on behalf of WSDA at a public livestock market. This section expires July 1, 2026 (per section 8). Effective July 1, 2026 the \$150.00 fee per approved sale day will expire and revert back to the \$100.00 fee per approved sale day existing prior to the 2019 legislation.

Section 7 of the bill sets an expiration date of July 1, 2026 for sections 1, 5, 8 and 11. Impacts for sections 1 and 5 are listed below. There is no section 11 in this bill. This is a highly technical code reviser section to align the expiration dates in this bill with an uncodified expiration section from 2022 legislation that extended fees from the 2019 legislation for one additional year.

There are fiscal impacts to WSDA are both in cash receipts and operating expenditures.

II. B - Cash receipts Impact

Cash receipts impact of the legislation on the responding agency with the cash receipts provisions identified by section number and when appropriate, the detail of the revenue sources. Description of the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explanation of how workload assumptions translate into estimates. Distinguished between one time and ongoing functions.

Section 3 of this bill would exempt certified veterinarians and field livestock inspectors from collecting and submitting a \$20.00 call out fee per trip when inspections are completed on behalf of WSDA. This exemption would reduce revenue for the Livestock Identification Program collected from those inspectors by approximately \$14,000 beginning Fiscal Year 2024. Section 3 expires July 1, 2026. Effective July 1, 2026 the fees in this section will revert back to what they were previously in 2019. See the detailed table below for fiscal impact.

FY2022 call out fee revenue generated by certified veterinarians and field livestock inspectors was \$14,236.

FY2021 call out fee revenue generated by certified veterinarians and field livestock inspectors was \$3,084. Fiscal year 2021 should not be characterized as a typical year for livestock inspections. The livestock industry in Washington dealt with a number of uncommon challenges including severe drought in eastern Washington, the COVID-19 Pandemic, and wildfires throughout the state.

FY2020 call out revenue generated by certified veterinarians and field livestock inspectors is unknown. The call out fee was established in Engrossed Senate Substitute Bill (ESSB) 5959 in the 2019 legislative session and took effect July 28, 2019. The Livestock Identification Program did not have a mechanism to pull this specific data out of their electronic system or accounting system until FY2021.

Fiscal Year 2025 and 2026 Impact:

The bill also extends the current fees until 7/1/2026 (beginning of FY27), which were set to expire 7/1/2024 (beginning of FY25) and would revert to 2019 rates. Revenue assumptions for livestock headcount, callout fees, and identified vs. non-identified cattle are based on actual numbers from fiscal year 2022. We also assume 76% identified cattle and 24% non-identified cattle based on actual numbers from fiscal year 2022.

Total Fiscal Year 2025 Impact = \$532,147
Total Fiscal Year 2026 Impacts = \$546,147

[See Table 1]

Fiscal Year 2027 and beyond Impact:

WSDA assumptions for livestock headcount, callout fees, and identified vs. non-identified cattle are based on actual numbers from fiscal year 2022. WSDA also assumes 76% identified cattle and 24% non-identified cattle based on actual numbers from fiscal year 2022.

[See Table 2]

Total Fiscal Year 2027 Impact -\$560,147

*Call out fee - \$20.00 per trip or per inspector per day at public livestock markets, slaughter facilities or certified feedlots will revert back to a time and mileage charge of \$17.00 per hour or the cost of inspection whichever is greater.

Indeterminate impact: The time and mileage or per head, whichever is greater, would be charged for field inspections (change of ownership, annual, lifetime, out of state movement, receiving stations) and USDA Inspected Slaughter Facilities that have a capacity of greater than 500 head per day. The time and mileage fee is not charged at Public Livestock Markets, Certified Feedlot audits, and USDA Inspected Slaughter Facilities with a capacity of less than 500 head per day. Determining how many field inspections would fall under the time and mileage charge and how many field inspections would fall under the per head inspection fee is unknown.

The hourly rate of \$17.00 would not cover program expenditures. The current hourly rate to cover program expenditures is \$78.00. The fee structure prior to July 28, 2019 proved to not support program expenditures and service levels and left the program not financially stable. The projected impact if fees are not extended and revert back to the fee structure in 2019 would be approximately -\$560,147 per fiscal year, resulting in the program going below the two month operating reserve in February of 2027, and having a negative fund balance in July of 2027.

WSDA assumes certified veterinarians and field livestock inspectors are not subject to charge the time and mileage fee. WSDA assumes certified veterinarians and field livestock inspectors will only collect and submit associated inspection fees

Section 3 - Estimates for cash receipt impacts on fund balance

FY24 Projected fund balance: \$891,667

FY25 Projected fund balance: \$708,274

FY26 Projected fund balance: \$841,166

FY 27 Projected fund balance: \$18,575 February 2027 the program will be \$105,641 below the two month operating reserve at \$347,190.

FY 28 Projected fund balance: -\$501,014 July 2027 the program will have a negative fund balance of -\$69,440.

FY 29 projected fund balance: -\$1,421,419

Section 5 of this bill's expiration date is extended two years to July 1, 2026. Effective July 1, 2026 (per section 8) the \$0.28 per head fees in this section will expire and revert back to \$0.25 per head fees existing prior to the 2019 legislation. This would reduce revenue by approximately \$11,372 per year. This section of the bill also removes the \$20.00 call out fee that is currently required to be collected and submitted to WSDA by field livestock inspectors and certified veterinarians from collecting and submitting a \$20.00 call out fee per trip when inspections are completed on behalf of WSDA at a certified feedlot. This will have no fiscal impact as currently certified veterinarians and field livestock inspectors do not inspect at certified feedlots.

WSDA assumptions for livestock headcount are based on actual numbers from fiscal year 2022.

[See Table 3]

Fee Type	Est FY 2027 Impact
Certified Feedlot Assess Fee	-\$11,372

Section 5 - Estimates for cash receipt impacts on fund balance

FY24 Projected fund balance: \$905,660

FY25 Projected fund balance: \$736,261

FY26 Projected fund balance: \$883,146

FY 27 Projected fund balance: \$609,327

FY 28 Projected fund balance: \$638,510

FY 29 projected fund balance: \$266,877 February 2029 the program will be \$22,285 below the two month operating reserve at \$363,292.

Section 6 of this bill This would reduce revenue by approximately \$3,750 per year. This section of the bill also removes the \$20.00 call out fee that is currently required to be collected and submitted to WSDA by field livestock inspectors and certified veterinarians from collecting and submitting a \$20.00 call out fee per trip when inspections are completed on behalf of WSDA at a public livestock market. This will have no fiscal impact as currently certified veterinarians and field livestock inspectors do not inspect at public livestock markets. This section expires July 1, 2026 (per section 8). If not extended prior to July 1, 2026 the \$150.00 fee per approved sale day will expire and revert back to the \$100.00 fee per approved sale day existing prior to the 2019 legislation.

WSDA assumptions for livestock headcount are based on actual numbers from fiscal year 2022.

[See Table 4]

Fee Type	Est FY 2027 Impact
Min fee at Public Livestock Mkts	-\$3,750

Section 6 - Estimates for cash receipt impacts to fund balance

FY24 Projected fund balance: \$905,660

FY25 Projected fund balance: \$736,261

FY26 Projected fund balance: \$883,146

FY 27 Projected fund balance: \$616,947

FY 28 Projected fund balance: \$653,750

FY 29 projected fund balance: \$289,737 February 2029 the program will be \$1,965 below the two month operating reserve at \$363,292.

Section 7 of the bill sets an expiration date of July 1, 2026 for sections 1, 5, 8 and 11. Cash receipt impacts for sections 1 and 5 are listed above. There is no section 11 in this bill. This is a highly technical code reviser section to align the expiration dates in this bill with an uncodified section from 2022 legislation (Chapter 158 of 2022) that extended fees from the 2019 legislation for one additional year.

Section 8 of the bill sets an expiration date of July 1, 2026 for sections 1, 3, 5 and 6. Cash receipt impacts for sections 1, 3, 5 and 6 are noted above.

Section 9 of the bill sets the effective date for Section 2 to July 1, 2026. There is no fiscal impact as stated above in section 2.

Estimates for cash receipt impacts on program fund balance for bill:

FY24 Projected fund balance: \$891,667

FY25 Projected fund balance: \$708,274

FY26 Projected fund balance: \$841,166

FY 27 Projected fund balance: \$3,455 February 2027 the program will be \$115,721 below the two month operating reserve at \$347,190.

FY 28 Projected fund balance: -\$531,254 July 2027 the program will have a negative fund balance of -\$85,820.

FY 29 projected fund balance: -\$1,466,779

II. C - Expenditures

Agency expenditures necessary to implement this legislation (or savings resulting from this legislation), with the provisions of the legislation that result in the expenditures (or savings) identified by section number. Description of the factual basis of the assumptions and the method by which the expenditure impact is derived. Explanation of how workload assumptions translate into cost estimates. Distinguished between one time and ongoing functions.

Section 3. The agency expenditures necessary to implement this legislation would require an IT developer to go into two of our electronic systems and change the fees and calculations. This is an estimated 1 hour of work for implementation and testing. This would be a cost of \$89 for the one hour of work, this would be absorbed within the program.

Rulemaking would be required to implement this legislation and this would incur a cost to the agency. Rulemaking would need to be conducted once in FY2024 when changes take effect for section 3 removing the \$20 call out fee for certified veterinarians and certified field livestock inspectors and again in FY2026 for section 3 when all fees revert back to what they were previously in 2019 as section 3 expires July 1, 2026 as noted in section 8.

The agency estimates the following to conduct rulemaking:

- o 20 hours for a management analyst 5;
- o 5 hours for an administrative regulations analyst;
- o 5 hours for the assistant attorney general;
- o 20 hours for a division management analyst 5; and

Mailing and postage costs for notifying approximately 6,000 impacted stakeholders of this rulemaking change. We estimate the cost to be approximately \$10,000 for each mailing.

Total cost per each rule making filing = \$14,143

In years after July 1, 2026 (FY27) when fees revert to 2019 levels, the program will need to reduce expenditures in order to remain in operation. In order to reduce expenditures the program will need to reduce services and staff. Based on projected revenue the program will have to reduce 4 brand inspector 1 positions to stay within operational costs. (Due to the bill passing on 4/6/2023, there will be no reductions to staffing needed as the fees and revenues will stay largely the same for 2024 and 2025.)

Expenditure Impact: Reduce staff to 10 full time brand inspectors and office staff \$1,253,482 yearly, \$104,707 monthly. Includes salaries, benefits, supplies, travel, and administrative overhead. Of the programs total \$3.6 million biennial budget, personnel related expenditures average \$2.9 million per biennium.

The program would reduce WSDA brand inspectors to 10 to assist in covering mandatory inspection points within RCW 16.57, RCW 16.58 and RCW 16.65. The department assumes that we will have to exercise authority to allow certified veterinarians and certified field livestock inspectors to conduct inspections at mandatory inspection points as the program will not have a sufficient amount of WSDA inspectors to cover all mandatory inspection points.

WSDA assumes a level of work with WFSE Union on bargaining efforts as it relates to certified veterinarians and certified field livestock inspectors taking over bargaining member work. The program assumes that with the reduction of staff that there will be an unemployment costs of about \$3,000 per person, with a reduction of 4 staff this would equal approximately \$12,000 a year.

Section 4. No expenditure impact.

Section 5. No expenditure impact.

Section 6. No expenditure impact.

Section 7. Expenditure impacts to section 3 noted above.

Section 8. Expenditure impacts to section 3 noted above.

Section 9. No expenditure impact.

The program receives other sources of revenue which would partially offset the reduction in revenue as a result of this bill.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2024	FY 2025	2023-25	2025-27	2027-29
126-1	Agricultural Local Account	State	14,143	0	14,143	(411,032)	(850,350)
Total \$			14,143	0	14,143	(411,032)	(850,350)

III. B - Expenditures by Object Or Purpose

	FY 2024	FY 2025	2023-25	2025-27	2027-29
FTE Staff Years				(2.0)	(4.0)
A-Salaries and Wages				(182,739)	(365,478)
B-Employee Benefits				(108,722)	(217,444)
C-Professional Service Contracts					
E-Goods and Other Services	14,143		14,143	(39,271)	(106,828)
G-Travel				(8,500)	(17,000)
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service				(2,400)	(4,800)
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-Agency Admin Overhead				(69,400)	(138,800)
Total \$	14,143	0	14,143	(411,032)	(850,350)

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 2024	FY 2025	2023-25	2025-27	2027-29
Brand Inspector 1	(45,682)				(2.0)	(4.0)
Total FTEs					(2.0)	(4.0)

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

Acquisition and construction costs not reflected elsewhere on the fiscal note and description of potential financing methods.

NONE

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

NONE

No capital impacts

Part V: New Rule Making Required

Provisions of the bill that require the agency to adopt new administrative rules or repeal/revise existing rules.

Section 3. WAC 16-610-065 Livestock Identification Fees. Rulemaking would need to be conducted once in FY2024 when changes take effect for section 3, removing the \$20 call out fee and again in FY2026 for section 3 when all fees revert back to what they were previously in 2019.