



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #148

### **Livestock Premises Identification (Agriculture, Trade and Consumer Protection)**

[LFB 2005-07 Budget Summary: Page 66, #18]

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#### **CURRENT LAW**

Under 2003 Act 229, beginning on November 1, 2005, any person who keeps livestock in the state is required to register with DATCP each location that the person keeps livestock. DATCP will then assign an identification code for each facility.

Further, under current law, DATCP may contract with an agent to administer the registration and assignment of livestock premises codes.

#### **GOVERNOR**

Provide that if DATCP contracts with an agent to administer the state's livestock premises registration program the agent may collect fees that cover the costs of administering the program beginning on November 1, 2005.

#### **DISCUSSION POINTS**

1. DATCP estimates that over 60,000 premises will be required to annually register with the Department under administrative rules being developed under the authority of 2003 Act 229. Information on the breakdown, by animal, of the estimated 60,000 premises is not yet available. However, premises registration will not record the number of animals kept at each location, only the location of the premise and the types of animals kept there.

2. Under Act 229, livestock is defined as all bovine animals, equine animals, goats, poultry, sheep, swine, farm-raised deer, and any other kind of animal that DATCP identifies by rule

(which is expected to include fish and exotic livestock producers). Also included under the law are stable operators, livestock markets, dealers and truckers, slaughter establishments, rendering and dead animal processing establishments, operators of livestock exhibitions, and veterinary clinics.

3. DATCP is currently in the process of promulgating administrative rule ATCP 17 that would govern livestock premises registration. The rule would not create any new record keeping requirements (other than registration), and, despite the statutory effective date of November 1, 2005, the proposed rule would have a delayed effective date of January 1, 2006, in order to ensure premises that would be required to register under the bill would have time to understand and comply with the new requirements.

4. Premises registration is generally viewed as the first step in a national effort to create a comprehensive livestock identification system. The ultimate goal of such a system would be to identify all animals and premises exposed to a contagious animal disease (such as mad-cow, bovine tuberculosis or foot and mouth disease) within 48 hours after the disease is discovered. Toward this end, the Wisconsin Livestock Identification Consortium (WLIC) was founded in order to implement the National Animal Identification System (NAIS) in the state of Wisconsin. Current plans would implement the system in three steps. The first step, premises registration, would identify every location where livestock is housed. The second step in the process would be the actual animal identification, or assigning each animal a unique number, and then linking the animal to its registered premise. The final step would be to record animal movements from one premise to another. While this process is expected to take years to accomplish, it would ultimately allow for the trace-back of animals in the event of a disease outbreak or animal health issue.

5. The Wisconsin Livestock Identification Consortium (WLIC) is a livestock industry-driven effort with the goal of creating a secure, nationally compatible livestock identification system for the purposes of protecting animal health, safeguarding market access, and offering opportunities to enhance the marketability of Wisconsin livestock products. While industry-driven, the initiative involves cooperation with DATCP, the United State Department of Agriculture, and University of Wisconsin-Extension. The federal government has provided a total of \$2.75 million for WLIC funding (since its creation in 2002), which it has used to begin development of an animal premises registration system. Currently, approximately 6,800 premises have voluntarily registered with the WLIC. The ultimate goal of the effort is to develop a system that is capable of tracking all animals and premises potentially exposed to a contagious animal disease within 48 hours.

6. Under the bill, no state funding would be provided for costs related to the animal premises identification program. Instead, the Governor's recommendation would allow a private entity (WLIC) to collect fees from registrants in order to cover the costs of the program, should DATCP contract with a private entity for program responsibilities.

7. Act 229 requires DATCP to seek federal funding for the costs associated with the livestock premises identification program. However, Act 229 also requires DATCP, as part of its 2005-07 biennial budget request, to submit a proposal for funding livestock premises identification.

8. In its 2005-07 budget request, DATCP requested \$869,700 GPR and 3.0 GPR positions in 2005-06 and \$898,500 GPR and 3.0 GPR positions in 2006-07 to implement the premises registration law. The Department expects costs to be fairly constant due to the anticipated requirement in the proposed administrative rule that would require livestock owners to register their premises annually. These cost estimates included \$725,000 annually for the cost of a contract with the WLIC to process registrations, manage registration information, and perform other functions on behalf of DATCP, \$16,500 annually for maintenance (which DATCP officials have subsequently said should be reduced to \$6,000), and support costs of \$128,200 in 2005-06 and \$157,000 in 2006-07 with three staff. DATCP officials state that federal funding will be sufficient to fund the costs of the program in 2005-06 (meaning no fees will need to be charged to registrants in this year). However, they are unsure whether there will be sufficient federal funds to fund the program in 2006-07, and will examine funding for this year as it approaches.

9. DATCP has received \$100,000 from the USDA for 2004-05 for livestock premises registration, and anticipates receiving an additional \$1.75 million in federal funding for 2005-06. This funding is part of \$33 million that was set aside for animal tracking efforts for 2005-06 by the USDA and would likely be deposited into DATCP's animal health federal funds appropriation. As a result, the Committee could increase expenditure authority from this appropriation by \$1.75 million in 2005-06. However, the state has not yet received any instruction on how these funds are to be spent. DATCP officials are uncertain about whether additional federal funding will be provided in the future.

10. DATCP officials say, pending any federal instructions on the use of the \$1.75 million, the federal grant would be used to contract with WLIC for the costs of premise registration, fund DATCP compliance costs (preferably with 3.0 positions), and use remaining funds to position the agency and the Wisconsin livestock industry for future individual identification requirements. DATCP officials state that, while the Department may be able to carryover a small amount of funding for expenditures early in 2006-07, the federal grant generally must be committed by October, 2006.

11. Under Act 229, DATCP may contract with a private agent to process registrations, manage registration information, and perform other functions on behalf of DATCP. The registration process must be conducted under DATCP's name and DATCP would be required to approve the registration process and all forms. In addition, the contract agent would be forbidden from doing any of the following without DATCP's approval: (a) change the registration process or forms; (b) use or disclose any information that it acquires as DATCP's agent; (c) purport to collect information as DATCP's agent; and (d) ask a registrant for permission to use or release confidential information. Moreover, the contract agent and all individuals affiliated with the contract agent would be forbidden from disclosing confidential information or use it for its financial advantage. DATCP is currently in contract negotiations with the WLIC for management of the premises registration database, along with outreach and education efforts related to the system.

12. Under the contract with WLIC, DATCP anticipates that WLIC activities would include data entry, help desk services to registrants, data administration, internet website hosting,

system administration, disaster recovery, exception processing, server maintenance and software upgrades. In addition, WLIC would provide information to livestock owners on who needs to register and how to register their premises. These outreach efforts would be coordinated by WLIC with other partners, such as the University of Wisconsin-Extension, the United States Department of Agriculture, industry groups, and producers. The total cost of the contract is expected to be about \$725,000 in 2005-06, including: approximately \$420,000 for eight staff for data entry, administration, help desk support, information technology support, database support and communications; \$210,000 for operation of the database (including server hosting, maintenance, and software upgrades); \$50,000 for outreach materials; \$25,000 for office supplies and an intranet system; and \$20,000 for training. Provided this contract between the two entities is signed and implemented with federal funding, WLIC is not expected to need to collect any fees under the statutory provision recommended by the Governor. DATCP officials indicate there is expected to be no cost to registrants under the program in 2005-06. However, at this time they are not certain federal funds will be sufficient for 2006-07. From this perspective the provision could be deleted and ongoing funding considered in future legislation, if necessary.

13. DATCP does not plan to contract administrative functions related to oversight, compliance, and regulatory education. In its agency request, the Department estimated that it needed \$157,000 annually and 3.0 positions for these functions. The three staff would be animal health inspectors and would develop and implement a compliance and education program for the premises identification requirements. In addition, these staff would perform the following tasks: informing businesses and individuals of regulatory registration requirements, responding to individual public inquiries, and providing interpretation and guidance to livestock associations. Department staff estimate that the inspectors would attempt to inspect about 2,000 premises (both registered and unregistered annually) at about two hours per inspection, and provide regulatory education for an additional approximately 1,800 hours between the three inspectors. The cost of these positions can be estimated at \$128,200 (for nine months) in 2005-06 and \$157,000 in 2006-07. Included in this estimate are supply costs related to computers and network connections, phones, and travel (as the staff will likely work out of their homes, but spend a large portion of their time in the field).

14. While DATCP estimates that livestock premises registration responsibilities would add an additional 5,800 FTE hours (approximately the equivalent to three full-time positions), the 3.0 animal health inspector positions would not be used by the Department exclusively for premises identification duties. Instead, the Department would add these inspectors to those already employed by DATCP, and repartition their geographical assignments in order to evenly divide the work. The Department argues this would be more efficient than having the three positions specialize solely on premises registration, especially by reducing travel costs of the inspectors.

15. The three inspector positions would serve as animal health inspectors on a statewide basis with responsibility for enforcement of state and federal animal health laws and codes. Inspectors typically begin investigations related to livestock farms, markets, dealers and truckers, violations of permit laws, cases of illegal entry of animals, and cases of contagious disease exposure. Inspectors serve as the initial information gatherers, and refer cases and provide

information to compliance investigators for in-depth investigations. Currently, DATCP is authorized eight inspectors, with one being vacant (which DATCP is attempting to fill). Each inspector is responsible for a specific geographical portion of the state. Further, the federal government has assigned two inspectors to Wisconsin. The current responsibilities for these ten inspectors include 120 livestock markets, 520 dealers, over 500 truckers, 50 feedlots, 50,000 livestock farms, 1,700 fish farms and about 724 cervid (farm-raised deer and elk) farms. The livestock premises registration law is expected to add at least an additional 10,000 livestock premises. However, DATCP only licenses about 20,000 of the state's estimated 50,000 livestock farms, and DATCP staff indicate that they do not regularly inspect and follow-up with these currently unlicensed farms, but plan to do so under the premises registration law. Further, in response to the new livestock premises law, DATCP officials plan to examine livestock markets and horse shows for evidence of unregistered premises, with every unregistered premise discovered requiring follow-up.

16. The Governor provided no funding or positions to DATCP for the Department's responsibilities related to premises registration. However, with the provision of the federal funding (\$1.75 million) in 2005-06, the Committee could consider granting the agency 3.0 FED positions for administrative duties. Were no additional positions authorized to DATCP in the bill, the agency could: (a) seek federal position authorization from DOA in the future; (b) reassign existing staff to these responsibilities (at the expense of their current duties); or (c) hire limited-term employees (which the Department indicates would be disadvantageous in this situation due to the amount of training required for compliance officers). In their budget submission, DATCP officials argued that without the requested funding and position authority the Department may not have the ability to implement the premises registration legislation or to collect information on location of livestock in the state. Further, DATCP officials fear this could jeopardize the state's leadership role in livestock registration and identification and reduce the state's influence regarding the outcome of a national system.

17. Since ongoing federal funding after 2005-06 is uncertain, one option could be to provide DATCP with 3.0 two-year federal project positions. If an additional source of revenue were to be found, DATCP could request that these positions be made permanent under s. 16.515 of the statutes procedures or as part of its 2007-09 budget request.

18. DATCP would plan to use a portion of remaining funds for positioning the agency and the Wisconsin livestock industry for future individual animal identification requirements. This would include providing subsidies for individual animal identification tags, funding pilot projects that are experimenting with early aspects of individual animal identification systems at animal markets and fairs, and building database components for individual animal identification.

19. While federal funding is expected to fund costs of the program in the 2005-07 biennium, it is uncertain what will be the long-term source of funding for the program. Some have argued that animal premises registration is a consumer protection issue in that it will help to prevent the spread of disease among different animal premises, thereby aiding efforts to prevent diseased animals from being sold and processed for human consumption. As a result, they argue the animal

premises registration program should be funded with general state revenues.

20. Others have argued that the law could help producers market their animals during a disease outbreak by allowing owners of animals who had no contact with diseased animals evidence of this non-exposure. From this perspective, a fee on producers or the agricultural industry (such as farm license fees, or agricultural pesticide and fertilizer fees from the agrichemical management fund) could be viewed as appropriate. The state's premises identification law applies not only to livestock owners who produce animals for consumption, but also to livestock owned for other commercial or recreational uses (such as horses). In this sense, the law's effects are broader than merely ensuring that livestock raised for consumption are free of disease. Instead, the law requires all sites that house livestock to be registered in order to allow the locations of any affected livestock to be determined in order to ensure the safety and well-being of the animals. Therefore, some would argue that revenues to fund this program should come from fees charged to the owners of the animals that this law serves to protect.

## ALTERNATIVES

### A. Statutory Language

1. Approve the Governor's recommendation to specify that if DATCP contracts with an agent to administer the state's livestock premises registration program the agent may collect fees that cover the costs of administering the program beginning on November 1, 2005.
2. Maintain current law.

### B. Animal Health Federal Funding

1. Increase expenditures from DATCP's animal health federal funding appropriation by \$1,750,000 in 2005-06 to reflect the anticipated receipt of a federal grant related to livestock premises identification.

| <u>Alternative B1</u>                   | <u>FED</u>  |
|---|-------------|
| <b>2005-07 FUNDING</b> (Change to Bill) | \$1,750,000 |

2. Adopt alternative B.1. Further, provide DATCP with 3.0 FED positions from the Department's animal health federal funds appropriation to implement a compliance and education program, for DATCP's premises identification program. Provide the positions as:
  - a. Two-year project positions.
  - b. Four-year project positions.

c. Permanent positions.

| <u>Alternative B2</u>                     | <u>FED</u>  |
|---|-------------|
| <b>2005-07 FUNDING</b> (Change to Bill)   | \$1,750,000 |
| <b>2005-07 POSITIONS</b> (Change to Bill) | 3.00        |

3. Take no action.

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