



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

May 18, 2023

Joint Committee on Finance

Paper #195

Meat Inspection Program Staff (Agriculture, Trade and Consumer Protection – Regulatory Programs)

[LFB 2023-25 Budget Summary: Page 69, #1]

CURRENT LAW

The Department of Agriculture, Trade and Consumer Protection (DATCP) meat safety program conducts inspections of livestock and poultry slaughtering and processing establishments not otherwise inspected by the U.S. Department of Agriculture (USDA). State inspection programs by law must enforce standards that are "at least equal to" federal food safety standards, including having sufficient levels of staffing to meet required inspections of processing establishments. For any inspected facility, a meat inspector must be on site during all slaughter activities. DATCP reports most state-inspected slaughter facilities are typically smaller, and schedule one day a week for slaughter. As of April 2023, there are 245 official meat establishments and 64 custom meat establishments in Wisconsin that require state inspection.

The Bureau of Meat and Poultry Businesses currently employs 70.0 meat inspection staff and 8.0 meat inspection supervisors, consisting of 38.88 GPR and 39.12 FED positions. Additionally, the Department employs 3.0 limited-term (LTE) meat inspectors to supplement permanent staff. The Bureau of Meat and Poultry Businesses employs 20.0 additional full-time staff, including veterinarians, food scientists, regulatory specialists, and management.

Federal funding is received from the USDA Food Safety and Inspection Service (FSIS), which generally provides matching funding of 50% of state program costs. FSIS also operates a cooperative interstate shipment (CIS) program, which allows certain participating state-inspected facilities to sell meat products at wholesale across state lines. CIS funding is provided at a 60% federal match.

DISCUSSION POINTS

Matching Funds

1. FSIS provides funding for state meat inspection programs that operate inspection programs "at least equal to" federal inspection programs. Funding is provided on a matching basis to states, and generally requires an equal match from state sources for each federal dollar received. As costs increase over time, FSIS provides incrementally larger funding allocations each year. Standard budget adjustments made under each biennial budget, primarily reflecting increasing salary and fringe benefit, rent, and other administrative costs, have generally matched these federal funding increases offered by FSIS over time. Under Committee action to date, the GPR appropriation supporting the meat inspection program would have total funding of \$5,289,000 in 2023-24 and \$5,286,400 in 2024-25. The difference remaining to meet the projected needs of the program would be \$538,800 GPR in 2023-24 and \$541,400 in 2024-25. Assembly Bill 43/Senate Bill 70 would provide \$476,900 GPR annually to support program match requirements. This is \$126,400 less than the amount necessary to meet the federal match.

2. DATCP's meat inspection program is mostly funded by the Meat and Poultry Inspection grant, which is split 50% GPR and 50% federal. Funding is also provided from the Meat Cooperative Interstate Shipping grant, which is split 40% GPR and 60% federal. DATCP reports that state funding is also required to support and maintain FSIS's public health information system (PHIS), which manages electronic data related to facility inspections. Additionally, there are some state funding needs beyond matching, such as termination payments, which cannot be paid for using federal funds. Termination payments are made when a staff member is paid for remaining unused leave time upon terminating employment with the meat inspection program. Termination payments are generally one-time expenses. However, employee vacancies could occur multiple times and in varying amounts each year, depending on how many staff members terminate employment in a given year. The table shows DATCP's described need for GPR to support the meat inspection program.

2023-25 Meat Inspection Program Allocations

	Proposed GPR	
	2023-24	2024-25
Meat and Poultry Inspection Grant Match	\$5,304,000	\$5,304,000
Cooperative Interstate Shipment Grant Match	385,300	385,300
PHIS Software and Support	87,100	87,100
Non-Match Requirements	<u>51,400</u>	<u>51,400</u>
Total	\$5,827,800	\$5,827,800
Base 2023-25 Allocation	5,251,500	5,257,000
Standard Budget Adjustments	<u>38,000</u>	<u>35,400</u>
2023-25 Committee Action to Date	\$5,289,000	\$5,286,400
Difference	\$538,800	\$541,400

3. DATCP reports that if additional state funding were not made available, the agency would have to forgo a portion of federal inspection funding available to the state. As operational costs increase over time, total inspection program capacity could decline if additional funding were not provided. Additional federal funding is provided to offset these relative declines in purchasing power and resulting inspection activity. However, if state funding were insufficient to access all federal funding available to Wisconsin for meat inspection, DATCP's ability to meet "at least equal" inspection capacity could be reduced.

4. To ensure full funding of state required matching amounts for federal meat inspection funding, the Committee could provide an additional \$538,800 GPR in 2023-24 and \$541,400 GPR in 2024-25 [Alternative A1]. The Committee could also consider providing \$51,400 each year as one-time funding for other program costs that may be variable in nature and not matched by federal funding [Alternative A2]. DATCP could request additional funding for these purposes in future biennia as needed. The Committee could also take no action [Alternative A3], but DATCP would likely forgo additional available federal funding for meat inspection.

Program Staff

5. During the initial months of the COVID-19 pandemic, several high-volume federally-inspected meat establishments were temporarily closed, resulting in a bottleneck that slowed animal slaughter and processing. Further, as demand for dairy declined and dairy prices fell 29% from March to April of 2020, additional cattle entered the market ready for slaughter. The result was increased demand for slaughter at smaller, state-inspected facilities as animals were diverted from larger facilities. Consistent with this trend, total slaughters of cattle (40,000) rose 21% in 2020 relative to 2019 and total slaughters of swine (45,500) rose 34% in 2020 relative to 2019. DATCP reports that at the time, facilities responded by increasing the slaughter day length, or adding a second slaughter day. As an inspector must be on site during all slaughter activities, this increased the amount of inspection staff time required.

6. DATCP reports that total slaughters for cattle have remained high compared to pre-pandemic levels, but that numbers have moderated in the past two years. Total slaughters of cattle were 40,100 in 2021 and 40,200 in 2022, and have remained consistent with 2020 levels. Total slaughters of swine have declined approximately 29% to 32,300 slaughters, similar to pre-pandemic levels.

7. Assembly Bill 43/Senate Bill 70 would convert 2.0 GPR and 2.0 FED meat inspector project positions provided by 2021 Act 58 and scheduled to expire June 30, 2025, to permanent positions. The provision would reallocate \$88,300 annually within the state budget system for each fund source from project position salaries to permanent position salaries, but no additional funding for positions would be provided.

8. DATCP reports that the agency has had difficulty hiring and retaining staff to fill the meat inspector project positions provided by the Act 58. (As of May 1, 2023, 1.0 position of the 4.0 project positions was vacant.) DATCP says that in general, meat inspector positions have a high turnover rate. Turnover rate is exacerbated due to project position status and project staff applying for permanent positions when they become available due to the stability of a permanent position. In

addition, DATCP reports the meat inspection program has occasionally recruited for project inspector vacancies and permanent inspector vacancies simultaneously, causing further difficulty in filling project positions, as applicants showed preference for permanent position openings.

9. Timely and comprehensive inspections allow it to ensure the safety of Wisconsin meat products and increase consumer confidence. Further, inspection staff are expected to ensure adequate service levels and response times at state-inspected facilities and allow the Department sufficient capacity to support additional inspection and licensing duties associated with new facilities entering the industry. DATCP believes that recruiting and retaining meat inspection permanent staff will ensure continued growth in Wisconsin's meat industry, produce economic benefits for farmers, retailers, and consumers, and ensure regulatory compliance.

10. DATCP reports that meat inspection demand has remained consistent in recent years, but anticipates likely increasing demand and industry growth due to support for meat processors and meat inspection provided in the 2019-21 and 2021-23 biennial budgets. The Bureau of Meat and Poultry Businesses records inquiries regarding interest in opening a meat establishment. The Bureau received 168 inquiries in 2022, 180 inquiries in 2021, 73 inquiries in 2020, and 118 inquiries in 2019. Of inquiries received since June, 2021, 46 did not move forward with the application process. The Department reports that licensing inquiries, even when they do not materialize into applications, require staff investment as the licensing process is complex and contains emphasis on education and outreach to applicants to ensure that those who receive licenses will be equipped and prepared to pass an inspection. Permanent meat inspection staff would assist with the licensing inquiry process, visit potential business locations, and provide outreach to potential applicants.

11. The Bureau also tracks inspection staff activities for operational and federal compliance purposes. In addition to overseeing slaughter, staff are responsible for a number of inspection tasks at facilities. DATCP reports that completion rates of other assigned inspection duties declined from 86,450 immediately preceding the COVID-19 pandemic to 81,921 from March 2020, through March of 2021. DATCP reports that from March 2021 to March 2022, tasks completed by inspectors rose to pre-pandemic levels of approximately 86,000, and from March 2022 to March 2023, completed tasks rose to 88,758.

12. Given that the 4.0 project positions for meat inspection do not expire until June 30, 2025, and inspection activity demands are easing post-pandemic, the Committee could choose to take no action and positions would not be converted to permanent positions [Alternative B2]. However, given the Department's reports of difficulties recruiting and retaining meat inspectors in project positions, the Committee could consider approving the conversion of project positions to permanent positions [Alternative B1].

ALTERNATIVES

A. Matching Funds For Meat Inspection

1. Provide an additional \$538,800 GPR in 2023-24 and \$541,400 GPR in 2024-25 to meet federal matching requirements for DATCP's meat inspection program.

ALT A1	Change to Base
GPR	\$1,080,200

2. In addition to Alternative 1, specify \$51,400 GPR each year is one-time funding in the 2023-25 biennium.

3. Take no action. (DATCP likely would be unable to match all federal meat inspection funding, which could limit availability of additional future federal meat inspection funding.)

B. Meat Inspection Staff

1. Approve the conversion of 2.0 GPR and 2.0 FED project positions provided by 2021 Act 58, and scheduled to expire June 30, 2025, to permanent positions.

2. Take no action.

Prepared by: Margo Poelstra