



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #170

### **Meat Inspection Program (Agriculture, Trade and Consumer Protection -- Regulatory Programs)**

[LFB 2021-23 Budget Summary: Page 66, #1 and #2]

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#### **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 2020, DATCP reports there are 82 state-inspected livestock and poultry slaughter facilities in Wisconsin.

The Bureau of Meat and Poultry Businesses currently employs 66.0 meat inspection staff and 8.0 meat inspection supervisors, consisting of 36.88 GPR and 37.12 FED positions. Additionally, the Department employs 6.0 limited-term 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. In 2019-20, the base matching grant supported \$2,431,900 FED in staff costs, and the cooperative interstate grant supported \$116,900 FED in staff costs. The slight difference in GPR and FED meat inspection positions represents the higher FED matching amount under the

CIS grant.

## **DISCUSSION POINTS**

### **A. Meat Inspection Staffing**

1. 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 (43,300) and swine (46,100) rose 32% in 2020 relative to 2019. DATCP reports 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.

2. DATCP further reports that supply chain disruptions associated with the COVID-19 pandemic caused consumers to pursue locally sourced meat, which is usually slaughtered at smaller state-inspected facilities. DATCP reports it expects continued growth in smaller, state-inspected facilities in coming years as consumers demand for locally sourced meat products continues to grow.

3. DATCP argues that timely and comprehensive inspections allow it to ensure the safety of Wisconsin meat products and increase consumer confidence in Wisconsin meat. Further, increased 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 increased meat inspection staffing capacity will ensure continued growth in Wisconsin's meat industry, produce economic benefits for farmers, retailers, and consumers, and strengthen farm-to-table connections for meat products.

4. The Bureau 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. In response to increased slaughter activity, DATCP reports that completion rates of other assigned inspection duties have declined from 96.6% immediately preceding the COVID-19 pandemic to 95.1% from December 2020, through March of 2021. Further, from March 2018, to March 2019, the Bureau recorded 86,450 tasks completed by inspectors, declining to 81,921 from March 2020 to March 2021.

5. The Department expresses concern that further declines in task completion may jeopardize the state's ability to maintain "at least equal to" status relative to federally inspected facilities. While a loss of status could ultimately jeopardize federal funding supporting state inspections, in the near term FSIS would require the state to correct any program deficiencies found through regular program audits. As of the most recent state audit, published in January of 2021, FSIS concluded DATCP "has sufficient resources to provide the required inspection coverage at state-inspected establishments." Given increasing demand for processing at state-inspected facilities and

decreasing capacity of existing staff to complete assigned inspection tasks, the Committee could consider providing 6.0 additional meat inspection positions and associated funding, split between GPR and FED [Alternative A1]. As task completion rates are approximately 5% less than assigned, the Committee could consider providing an additional 3.0 meat inspection positions and associated funding, roughly equal to a 5% increase in current staffing levels [Alternative A2].

6. Given the uncertainty in future demand for meat products and trends in the Wisconsin meat processing industry, the Committee could consider providing additional positions as two- or four-year project positions, allowing it to reconsider staffing levels once disruptions resulting from the COVID-19 pandemic have dissipated [Alternative A3a or A3b]. Given FSIS has not identified any current program deficiencies, the Committee could also take no action, allowing DATCP to continue use of limited-term staff to supplement meat inspection activities if necessary [Alternative A4].

## **B. Matching Funds for Meat Inspection**

7. 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. However, DATCP reports such increases have been insufficient to fully match available federal funding in recent years, and estimates this shortfall to equal approximately \$88,500 each year.

8. DATCP reports if additional state funding were not made available, it would have to forgo a portion of federal inspection funding available to the state. As operational costs increase over time, total inspection program capacity would decline if no additional funding were 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.

9. To ensure full funding of state required matching amounts for federal meat inspection funding, the Committee could provide an additional \$88,500 each year during the 2021-23 biennium [Alternative B1]. The Committee could also take no action [Alternative B2], and DATCP would forgo additional available federal funding for meat inspection.

## **ALTERNATIVES**

### **A. Meat Inspection Staff**

1. Provide an additional \$177,600 GPR and \$177,600 FED in 2021-22, and \$215,900 GPR and \$215,900 FED in 2022-23, with 3.0 GPR and 3.0 FED positions for meat inspection staff.

ALT A1	Change to Base	
	Funding	Positions
GPR	\$393,500	3.00
FED	<u>393,500</u>	<u>3.00</u>
Total	\$787,000	6.00

2. Provide an additional \$88,800 GPR and \$88,800 FED in 2021-22, and \$108,000 GPR and \$108,000 FED in 2022-23 with 1.5 GPR and 1.5 FED positions for meat inspection staff.

ALT A2	Change to Base	
	Funding	Positions
GPR	\$196,800	1.50
FED	<u>196,800</u>	<u>1.50</u>
Total	\$393,600	3.00

3. In addition to Alternatives A1 or A2 above, specify that positions be provided as project positions, authorized for:

- a. Two years; or
  - b. Four years.
4. Take no action.

**B. Matching Funds For Meat Inspection**

1. Provide an additional \$88,500 GPR each year to meet federal matching requirements for DATCP's meat inspection program.

ALT B1	Change to Base
GPR	\$177,000

2. Take no action.

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