State of Washington
Decision Package

FINAL

Agency: **495 Department of Agriculture**

Decision Package Code/Title: **N2 Food Safety Fees**

Budget Period: **2015-17**

Budget Level: **PL - Performance Level**

Recommendation Summary Text:

This proposal recommends legislative changes to increase annual licensing fees associated with food processors, food storage warehouse operations, milk processors, and dairy technicians. This proposal would also establish a new fee for dairy technician endorsements, and increase the sanitary certificate fee. These fees will help fund the agency's work to support the safety of Washington's food supply. This proposal improves the alignment of user fees to work performed.

Fiscal Detail

Operating Expenditures	FY 2016	FY 2017	Total
126-6 Agricultural Local Account-Non-Appropriated	370,000	370,000	740,000
Total Cost	**370,000**	**370,000**	**740,000**

Staffing	FY 2016	FY 2017	Annual Average
FTEs	3.5	3.5	3.5

Revenue

Fund	Source	FY 2016	FY 2017	Total
126 Agric Local Acct	0203 Agricult/Aquaculture	370,000	370,000	740,000
Total Revenue		**370,000**	**370,000**	**740,000**

Package Description:

Consumer groups, the agricultural community, and policy leaders all recognize the importance of a safe food production and distribution system. In 2013, the Washington State Legislature directed WSDA to convene a stakeholder workgroup to review agency fees for programs that are also partially supported by the state general fund. WSDA convened the workgroup as directed. The workgroup found that:
*The current annual licensing fees do not cover the basic costs of issuing food safety licenses. Many of these fees have not been adjusted since 1995.

*Some areas of food safety work currently have no fee associated with them, such as Dairy Technician Endorsements.

*The sanitary certificate fee does not cover the handling cost to issue such voluntary certificate requests.

The workgroup's full report is available upon request.

This proposal will improve the alignment of user fees to the work performed and support the continued safety of our state's food production and supply. This effort to increase fees is supported by a wide variety of stakeholder groups, including the Dairy Inspection Program Advisory Committee (DIPAC), the Northwest Food Processors Association (NWFPA), the Washington State Dairy Federation and the Washington Food Industry.

During the 2014 legislative session, House Bill 2748 was introduced to increase these fees. The bill passed the House 57-41, but was not ultimately successful. A fee increase for Food Storage Warehouse Operations was not included in HB 2748, but is included in our current proposal to ensure full representation of the food processing and distribution industries.

See the attached worksheet for the current and proposed fee breakdown

The proposed fee changes would be implemented on July 1, 2015.

Narrative Justification and Impact Statement

What specific performance outcomes does the agency expect?

Providing stable and adequate funding will:

*Allow the Food Safety Program to maintain current service levels. Over the last 5 years, the Food Safety Program has seen an average annual increase of 3 percent in the number of licenses issued by the program. Because funding is not keeping pace with the number of firms requiring inspection, we anticipate that (in the absence of additional revenue) food processors and food warehouses will go 2.5 months longer between inspections over the next 5 years. The general industry trend toward increasingly complex food processing operations will require more staff time per inspection and further impact inspection frequency.

*Maintain the turnaround time for issuing new licenses. Currently the Food Safety Program issues new licenses within 21 working days of receiving a completed license application. One of the anticipated negative effects of not receiving fee increases would be slower response times to new business interested in food production and food warehousing. It is anticipated response times could exceed 30 working days to issue new licenses.

* Fund one Recall Coordinator and one Sampling Coordinator position. The agency received federal start-up funding for these critical infrastructure improvement positions. Federal funding for these positions will likely end by June 30, 2015. Loss of these positions would:

*Erode our recent efforts to improve coordination and communication with partner agencies,
*Lead to inconsistent responses to food product recalls,
*Reduce educational outreach to industry, and
*Jeopardize the rollout of new bar-coding hardware intended to improve the efficiency of collecting and analyzing food product samples and reduce sampling errors.

*Properly position the program to implement provisions of the 2010 Food Safety Modernization Act (FSMA) administrated by the US Food and Drug Administration (FDA). Implementation of rules related to this act is scheduled to begin in 2015 and will place additional inspection responsibilities on the agency. This proposal would fund one Food Safety Officer to keep up with the inspection demand and fund a partial Customer Service Specialist to maintain data entry and reporting requirements of the required inspections. The precise impact of FSMA on the agency is currently unknowable, but is expected to be a substantial additional burden on the agency. A sustainable funding source for existing programs will ensure that the agency is in the best position to respond well to these future challenges.

Performance Measure Detail

Activity:

Incremental Changes

No measures submitted for package

Is this decision package essential to implement a strategy identified in the agency's strategic plan?

This proposal directly supports Goal 1of WSDA's Strategic Plan to protect and reduce the risk to public health by assuring the safety

of the state's food supply. Ensuring a stable funding base in support of goal 1 will provide the continued resources needed to conduct routine inspections, enforcement activities, and rapid responses to contaminated food products and food borne illnesses.

Does this DP provide essential support to one or more of the Governor's Results Washington priorities?

The proposal supports three of the Governor's priorities:

*Goal 2: Prosperous Economy. Our inspectional activities provide the prerequisite confidence in product safety upon which innovation and entrepreneurship can thrive. Sustainable funding for our work means sustainable freedom for industry to explore new opportunities, both domestically and internationally.

*Goal 4: Healthy and Safe Communities. Providing stable funding to support inspection, compliance, and timely responses to food recalls will be critical to meeting our goal to reduce the incidents of food borne illnesses in our state by 5% by 2020.

*Goal 5: Effective, Efficient and Accountable Government. Accountable government addresses concerns raised by stakeholders. Consumers, the agriculture community, and food processors agree that a robust and stable food safety and inspection program is a shared responsibility.

What are the other important connections or impacts related to this proposal?

New Federal rules related to the production, processing, storage and transportation of food will result in the need for more detailed inspections and collaboration with the agricultural community and food processing industry to ensure compliance with these new rules. Providing adequate funding will provide the foundation for a successful implementation of the rules.

What alternatives were explored by the agency, and why was this alternative chosen?

Our current proposal is the only viable alternative that preserves the current service level, anticipates new challenges in the near-term, and better aligns user fees to the work performed. The proposal addresses stakeholder concerns regarding long-term sustainability of program activities and ensures sufficient resources to maintain our commitment to customer service and consumer confidence in our food supply.

What are the consequences of adopting or not adopting this package?

If the fee increase is not approved, the agency anticipates:

*The average time between food processing facility inspections will increase from 16 months to 18.5 months over the next five years. The average time between food storage warehouse inspections would increase from 20 months to 24 months.

*Increasing time required to issue new licenses from 21 to 30 working days.

*Loss of recall coordinator position would lead to inconsistent recall responses over time and lengthen the time contaminated food is available for sale to the public.

*Reduce the agency's recall preparation outreach activities to industry.

*Loss of sampling coordinator position would jeopardize implementation of bar-coding systems for food sampling activities.

What is the relationship, if any, to the state's capital budget?

None

What changes would be required to existing statutes, rules, or contracts, in order to implement the change?

This proposal supports agency request legislation and is entirely dependent on changes to RCW 69.07, RCW 69.10, and RCW 15.36.

See agency request package for further information.

Expenditure and revenue calculations and assumptions

Based on the current volume of licenses, the increase in fees would generate an annual increase in revenue of $370,000. Refer to the attached fee schedule for more detailed information.

Expenditures of $370,000 include 3.5 FTEs (one Recall Coordinator, One Sampling Coordinator, one Food Safety Officer and a part-time Customer Service Specialist) and associated employee costs for training, travel, supplies and agency overhead (object T

represents agency overhead below). Additional expenditures are related to the new FSMA rules and include Attorney General services to acquire legislative authority, printing costs for education and outreach material and website development.

Which costs and functions are one-time? Which are ongoing? What are the budget impacts in future biennia?

The proposed increase in revenue and expenditures are ongoing.

Object Detail		**FY 2016**	**FY 2017**	**Total**
A	Salaries And Wages	191,800	191,800	383,600
B	Employee Benefits	60,400	60,400	120,800
E	Goods\Other Services	37,800	37,800	75,600
G	Travel	29,600	29,600	59,200
J	Capital Outlays	12,500	12,500	25,000
P	Debt Service	2,100	2,100	4,200
T	Intra-Agency Reimbursements	35,800	35,800	71,600
Total Objects		**370,000**	**370,000**	**740,000**