

**REPORT OF THE
VIRGINIA DEPARTMENT OF AGRICULTURE
AND CONSUMER SERVICES ON**

**THE STUDY OF THE FEE
STRUCTURE FOR THE VOLUNTARY
INSPECTION OF BISON, FALLOW
DEER AND RATITES**

**TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA**



HOUSE DOCUMENT NO. 35

**COMMONWEALTH OF VIRGINIA
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1998**



COMMONWEALTH of VIRGINIA

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Commissioner

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December 15, 1997

TO:

The Honorable George Allen
Governor of the Commonwealth of Virginia

The Members of the General Assembly of Virginia

It is my privilege to present this report constituting the response of the Virginia Department of Agriculture and Consumer Services (VDACS) to House Joint Resolution No. 645, passed by the 1997 General Assembly.

The resolution requested that VDACS study its current fee structure for the voluntary inspection of bison, fallow deer and ratites, as compared to actual costs incurred by the Department, and suggest a revised fee structure reflecting the actual costs.

A handwritten signature in cursive script, reading 'J. Carlton Courter, III'.

J. Carlton Courter, III

Enclosure

PREFACE

This study was undertaken in response to House Joint Resolution No. 645, agreed to by the 1997 General Assembly, requesting the Virginia Department of Agriculture and Consumer Services (VDACS) to study its fee structure for the inspection of ratites, bison and fallow deer, and to suggest a revised fee structure reflecting the actual costs of such inspections to VDACS.

The following VDACS personnel were involved in the study: Ronald K. Layne, Director of Administration and Financial Services, Craig Halbleib, Budget Director, David B. Hall, Grants Manager, and David E. Cardin, Consumer Protection Program Manager, Office of Meat and Poultry Services.

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EXECUTIVE SUMMARY

The Virginia Department of Agriculture and Consumer Services (VDACS) undertook this study in response to House Resolution No. 645, passed by the 1997 General Assembly. The study resolution requested that VDACS study its current fee structure for the voluntary inspection of bison, fallow deer and ratites, as compared to actual costs incurred by VDACS, and suggest a fee structure which would reflect the actual cost of such inspections to VDACS.

Ratites, bison, and fallow deer are classified as non-amenable species by the Code of Federal Regulations (9 CFR 301.2 and 302.1). This means that inspection is not mandated by the Federal Meat Inspection Act or the Poultry Products Inspection Act. State meat and poultry inspection of amenable species is provided with matching federal funds by the USDA/Food Safety Inspection Program. These funds are not provided for inspection of non-amenable species. Therefore, when voluntary inspection of these unlisted species is requested by a processor, a fee is charged for those services by VDACS.

The study involved reviewing wage information to determine the actual cost incurred by the agency in conducting an inspection and surveying other states to determine their fees charged for voluntary inspection. The study also involved looking at alternatives to voluntary inspection at the federal and state levels.

Findings

As a result of the fee structure study, the agency reports the following findings:

1. A survey of nineteen (19) states revealed that thirteen states now charge a higher fee than Virginia for voluntary inspection; three of the states do not offer voluntary inspection; and the other three states charge less than the Commonwealth.
2. The actual cost incurred by VDACS in conducting an inspection is \$18.15 per hour, excluding management and veterinarian support of the inspection process.
3. The \$18.60 fee currently charged includes management and veterinarian support of the inspection process.
4. The processor is charged for the inspector's travel at the standard state mileage rate of \$.27 per mile.
5. The current federal rate for voluntary inspection is \$31.92 per hour.
6. Bison, fallow deer and ratite producers could be relieved from inspection costs if these species were listed at the federal level as amenable (requiring inspection).

Federal funding would then be available to pay for one half the cost of inspection in state inspected plants.

7. Several states have taken action to appropriate funds and require inspection of bison, fallow deer and ratite species at the state level.

Recommendations

Based on the above findings, the agency submits the following recommendations for consideration by the Governor and the General Assembly:

1. That the current fee of \$18.60 remain the fee charged for voluntary inspection of bison, fallow deer and ratites.
2. That the General Assembly should consider adopting a resolution requesting that the United States Congress list bison, fallow deer and ratites as amenable species at the federal level.

BACKGROUND AND AUTHORITY

The Virginia Department of Agriculture and Consumer Services (VDACS) undertook this study in response to House Resolution No. 645, passed by the 1997 General Assembly. The study resolution requested that VDACS study its current fee structure for the voluntary inspection of bison, fallow deer and ratites, as compared to actual costs incurred by VDACS, and suggest a fee structure which would reflect the actual cost of such inspections to VDACS.

Ratites, bison, and fallow deer are classified as non-amenable species by the Code of Federal Regulations (9 CFR 301.2 and 302.1). Therefore, inspection is not mandated by the Federal Meat Inspection Act or the Poultry Products Inspection Act. State meat and poultry inspection of amenable species is provided with matching federal funds by the USDA/Food Safety Inspection Program. These funds are not provided for inspection of non-amenable species. Therefore, when voluntary inspection of these unlisted species is requested by a processor, VDACS charges a fee for those services.

Senate Bill 1115, passed by the General Assembly and signed by the Governor, requires that from July 1, 1997, forward, VDACS must absorb one-half of the cost of ratite inspection at slaughter facilities. This is an unknown cost since it is not known how many ratites will be slaughtered. This is a major agency concern due to the funding implications of a program (meat and poultry inspection), which has limited funding, absorbing an unknown cost.

STUDY METHODS

The study involved reviewing wage information to determine the actual cost of such inspections to the agency and surveying other states to determine their fees charged for voluntary inspection. The study also involved looking at alternatives to voluntary inspection at the federal and state levels.

Cost of Inspections to VDACS

The actual cost for an inspector's service is \$18.15 per hour including fringe benefits. This amount does not include management or veterinarian support. This fee covers the salary and fringe benefit costs of an inspector's services (Grade 9, Step 10) as of November 25, 1997. The current rate now charged, \$18.60 per hour includes the cost of management and veterinarian support. This support is utilized when inspection requires the expertise of a veterinarian. The administrative overhead cost rate has been waived, but would have been 9%, increasing the rate to \$20.27 per hour. The \$18.15 per hour rate would be increased to \$19.78 if administrative overhead were added. Processors are also charged for the inspector's travel at the state mileage rate of \$.27 per mile. The current federal rate for voluntary inspection is \$31.92 per hour. (See Appendix A for wage

information.)

Survey Results

A survey of other states' voluntary inspection charges, conducted by Dr. David Cardin, Program Manager, Office of Meat and Poultry Services, at the annual meeting of the National Association of State Meat and Food Inspection Directors, October 21 - 23, 1997, in Louisville, KY, yielded responses from nineteen states. Thirteen states charge more than Virginia for voluntary inspection; three of the states offer no voluntary inspection; and the other three states charge less than the Commonwealth. Rates range from \$17.80 in Louisiana to \$29.00 in Delaware. (See Appendix B for survey results.)

Alternatives to Voluntary Inspection Costs

Bison, fallow deer and ratite production are emerging industries. Meat from these animals has become more available for consumer consumption in recent years due to consumer demand for low-fat meat. As a result, constituent groups nationwide have petitioned the USDA-Food Safety Inspection Program, requesting mandatory inspection of these species, which would relieve the industries from paying for inspection. Currently, this policy is under consideration, and it is not known if, or when, these species might be listed as amenable (requiring inspection).

Some state legislatures have taken more immediate action to address the issue of voluntary inspection costs. Several states, including Texas and Oklahoma, have appropriated additional funds and require inspection of bison, fallow deer and ratite species at the state level at no cost to the producer. States have taken this action to prevent unsafe meats from entering the consumers' food chain, as well as to aid the economic development of these emerging industries in their states.

Virginia has slaughter plants within the state which could accommodate inspection of these species if the General Assembly were to require inspection at the state level.

FINDINGS AND RECOMMENDATIONS

The agency reports the following findings:

1. A survey of nineteen (19) states revealed that thirteen states now charge a higher fee than Virginia for voluntary inspection; three of the states do not offer voluntary inspection; and the other three states charge less than the Commonwealth.
2. The actual cost incurred by VDACS in conducting an inspection is \$18.15 per hour, excluding management and veterinarian support of the inspection process.

GENERAL ASSEMBLY OF VIRGINIA -- 1997 SESSION

HOUSE JOINT RESOLUTION NO. 645

Requesting the Department of Agriculture and Consumer Services to study its current fee structure for the voluntary inspection of bison, fallow deer and ratites, as compared to actual costs incurred by the Department, and to suggest a revised fee structure which would reflect the actual costs of such inspections.

Agreed to by the House of Delegates, February 2, 1997

Agreed to by the Senate, February 19, 1997

WHEREAS, there is a new and expanding consumer market for the meat of bison and ratites (ostriches and emus); and

WHEREAS, such animals are subject to voluntary inspections under the regulations of the Department of Agriculture and Consumer Services and the U.S. Department of Agriculture; and

WHEREAS, the Department's actual cost of inspection is thought to be somewhat less than what the Department charges the meat processor; and

WHEREAS, the cost of such inspections passed on to meat processors in other states is considerably less; and

WHEREAS, there is no cost to meat processors for the inspection of cattle, swine, chickens, and other common livestock because of federal matching funds; and

WHEREAS, lowering the cost of such inspections will lower the cost of the product passed on to the consumer; and

WHEREAS, lowering the cost of the product to the consumer will help stimulate economic development in this emerging industry; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Department of Agriculture and Consumer Services be requested to study its current fee structure for the voluntary inspection of bison, fallow deer and ratites, as compared to actual costs incurred by the Department, and to suggest a revised fee structure which would reflect the actual costs of such inspections.

The Department shall complete its work in time to submit its findings and recommendations to the Governor and the 1998 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.

APPENDIX B**STATE SURVEY - HOURLY RATES FOR VOLUNTARY INSPECTION***

ALABAMA	\$27.00
ALASKA	NO VOLUNTARY INSPECTION
DELAWARE	\$29.00
GEORGIA	\$18.00
INDIANA	\$24.00
IOWA	\$25.00
ILLINOIS	\$25.50
KANSAS	NO VOLUNTARY INSPECTION
LOUISIANA	\$17.80
MONTANA	\$28.00
NEW MEXICO	\$22.00
NORTH CAROLINA	\$26.00
OHIO	\$18.00
OKLAHOMA	NO VOLUNTARY INSPECTION
SOUTH CAROLINA	\$23.56
TEXAS	\$23.00
UTAH	\$28.00
VERMONT	\$23.04
WISCONSIN	\$21.00

*Source: Annual meeting, National Association of State Meat and Food Inspection Directors, October 21 - 23, 1997, Louisville, KY. Contact: Dr. David E. Cardin, Consumer Protection Program Manger, 804-786-4569.



COMMONWEALTH of VIRGINIA

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October 8, 1997

MEMORANDUM

TO: David E. Cardin, DVM

FROM:

David B. Hall

SUBJECT: HJR 645, Study of Fee Structure for Inspections of Bison, Fallow Deer and Ratites

As requested I have developed the following information relating to a fee structure for inspection of bison, fallow deer and ratites.

- A rate of \$18.15 per hour covers the salary and fringe benefit costs of an inspector as of November 25, 1997.
- The Meat and Poultry Inspection Program (MPI) current rate is \$18.60 per hour. This considers costs for inspectors, MPI management and veterinarians.
- The proposed inspection rate of \$18.15 per hour would increase to \$19.78 per hour if the nine percent agency administrative overhead was added to the salary and benefit costs. The current MPI rate of \$18.60 per hour would increase to \$20.27 per hour if the nine percent overhead rate was included.
- The client is also obligated to pay for travel at the standard state mileage rate of \$0.27 per mile.
- The current federal rate is \$31.92 per hour.

Please call me at 371-8555 if you have any questions or need additional information.

cc: Donald W. Butts, DVM

