Food Establishment Fee Proposal

Summary of Need
The Michigan Department of Agriculture and Rural Development (MDARD) is at a point where it can no longer meet the demand for compliance assistance for new and growing food businesses and also evaluate food establishments often enough to assure the public’s food safety.

- The food and agriculture industry is one of the Big Three industries in our state, contributing $101.2 billion annually.
- Food safety is critical to continued growth of the state’s agriculture industry.
- Michigan assures food safety through its licensing process. Each license issued serves as the state’s assurance that a specific food business meets minimum food safety standards, and these standards are verified through regular evaluations.
- This allows everyone to buy groceries and dine out without worrying if they’ll become ill. It also provides other businesses, states and countries the assurance that it’s safe to let Michigan food products cross their borders.

Summary of Proposal
- Reduce regulation for certain low risk operations.
- Simplify license late fees.
- Increase industry fees for the first time in 15 years by $2.5 million over three years.
- Fees for small food facilities would move from $67 to $183 and for large food facilities, from $167 to $468.
- Industry would move from paying 26 percent of the cost of the regulatory program to 37 percent. The majority of regulatory program would still be covered by other program funding sources (General Fund and federal grants).
- Proposed fees are below the average of other states and well below Michigan local health departments.

Why Now?
- Since 2000, the number of food licenses issued has increased by 15 percent (50 percent for food processors) and the number of MDARD inspectors has decreased by 8 percent.
- Evaluations have also gotten more complex.
The Value of Increased Fees

- As industry compliance decreases, the incidence of foodborne illness outbreaks increases.
- With a fee increase, MDARD will be able to increase inspections and compliance reviews and enhance customer service for licensed food businesses.
- This will translate into fewer foodborne illness outbreaks and recalls, which in turn will lead to lower business operating costs and reduced liability for our food industry customers.

Example of Need

- Even in low-risk establishments, food safety and sanitation can go badly wrong when inspection frequency is not at optimal intervals. MDARD has thousands of evaluations due each year that we don’t have the staff to complete.
- The photographs below are from an inspection conducted in October 2014. These problems emerged in the 16 months between MDARD evaluation, and show gnawed packaging and mouse droppings due to mouse infestation, and mold in an ice machine.
- Outdated baby food, cheese and lunch meat were also found, seized and discarded. The store was cleaned up within two days of the MDARD visit.

### Impact of Actual Food Safety Incidents in Michigan

<table>
<thead>
<tr>
<th>Incident 1</th>
<th>Incident 2</th>
<th>Incident 3</th>
<th>Incident 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food Category</td>
<td>Frozen Fruit</td>
<td>Soy Flour and Grits</td>
<td>Cheese</td>
</tr>
<tr>
<td>Employees Out of Work</td>
<td>50</td>
<td>20</td>
<td>7</td>
</tr>
<tr>
<td>Amount of Downtime</td>
<td>12 Weeks</td>
<td>Permanent</td>
<td>2+ Years – Cheese Line Only</td>
</tr>
<tr>
<td>Impact to Company</td>
<td>$7 - $8 Million in product loss, facility improvements and lost wages</td>
<td>Closed</td>
<td>$250,000+ loss from lost production, facility improvements, and lost wages</td>
</tr>
<tr>
<td>Where</td>
<td>Southwest Michigan</td>
<td>East Michigan</td>
<td>Southeast Michigan</td>
</tr>
<tr>
<td>Contaminant</td>
<td>Listeria M</td>
<td>Salmonella</td>
<td>Listeria M</td>
</tr>
</tbody>
</table>