

## ADMINISTRATIVE RULES Fiscal Estimate & Economic Impact Analysis

1. Type of Estimate and Analysis <input type="checkbox"/> Original <input checked="" type="checkbox"/> Updated <input type="checkbox"/> Corrected	2. Date 10/14/2021
3. Administrative Rule Chapter, Title and Number (and Clearinghouse Number if applicable) ATCP 16	
4. Subject Dog Sellers and Dog Facility Operators	
5. Fund Sources Affected <input type="checkbox"/> GPR <input type="checkbox"/> FED <input checked="" type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEG-S	6. Chapter 20, Stats. Appropriations Affected 20.115 (2) (j)
7. Fiscal Effect of Implementing the Rule <input type="checkbox"/> No Fiscal Effect <input checked="" type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Increase Costs <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Indeterminate <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Could Absorb Within Agency's Budget	
8. The Rule Will Impact the Following (Check All That Apply) <input type="checkbox"/> State's Economy <input checked="" type="checkbox"/> Specific Businesses/Sectors <input type="checkbox"/> Local Government Units <input type="checkbox"/> Public Utility Rate Payers <input checked="" type="checkbox"/> Small Businesses <b>(if checked, complete Attachment A)</b>	
9. Estimate of Implementation and Compliance to Businesses, Local Governmental Units and Individuals, per s. 227.137(3)(b)(1). \$230,475	
10. Would Implementation and Compliance Costs Businesses, Local Governmental Units and Individuals Be \$10 Million or more Over Any 2-year Period, per s. 227.137(3)(b)(2)? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
11. Policy Problem Addressed by the Rule The Dog Sellers and Facilities Program was created in 2011 to ensure the welfare of dogs and provide consumer protection. The Department licenses and inspects about 500 facilities under this program. The minimum licensing fees were set when the program began and have not changed since 2011.  The program revenue appropriation (appropriated by Wis. Stat. § 20.115 (2) (j)) does not have adequate revenue to recover costs. The appropriation currently has a negative cash balance. Based on current projections for the timeline of the rule process, the proposed rule would become effective by the beginning of Fiscal Year 2024 (July 1, 2023). The cash balance of the dog sellers program at that time is projected to be -\$300,873.  The Department is not able to reduce expenditures to the level of current revenues without resulting in a failure to fulfill statutory requirements. Pursuant to Wis. Stat. § 173.41, the Department is required to:  <ul style="list-style-type: none"><li>- Implement and administer licensing of dog sellers and dog facility operators</li><li>- Inspect the premises at which a person who is required to obtain a license operates before issuing the initial license and at least once every 2 years after the year in which the person is first licensed</li><li>- Report mistreatment of dogs to a humane officer or law enforcement agency if the department has reasonable grounds to believe that a dog in the possession of a person required to be licensed is being mistreated in violation of ch. 951</li><li>- Promulgate rules to implement and administer regulations of persons who sell dogs or operate animal shelters, including licensing, inspections, health requirements, standards of care, and record keeping</li></ul>	

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The above statutory requirements are critical to ensuring appropriate standards of care in licensed facilities. These statutory requirements benefit animal health and wellbeing, human health, and consumer protection.

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12. Summary of the Businesses, Business Sectors, Associations Representing Business, Local Governmental Units, and Individuals that may be Affected by the Proposed Rule that were Contacted for Comments.

The proposed rule would impact persons who annually sell 25 or more dogs from more than three litters or operate animal shelters. There are currently 506 licensees:

- 120 entities licensed to sell or offer to sell at least 25 but fewer than 50 dogs per year
- 103 entities licensed to sell or offer to sell at least 50 but fewer than 100 dogs per year
- 76 entities licensed to sell or offer to sell at least 100 but fewer than 250 dogs per year
- 28 entities licensed to sell or offer to sell 250 or more dogs per year
- 179 entities licensed to operate an animal shelter or animal control facility

The proposed rule would also impact consumers, pet owners, and other persons and groups affected by the Department fulfilling its duties under Wis. Stat. § 173.41. For example, Wis. Stat. § 173.41 (6) requires the Department to inspect the premises at which a person who is required to obtain a license operates before issuing the initial license and at least every two years after the year in which the person is first licensed. These inspections are critical to ensure that licensed entities are meeting health requirements for selling dogs, the age for the transfer of a puppy, standards of care, and recordkeeping requirements, which are required under sections 173.41 (8), (9), (10), and (11), Wis. Stats., respectively. The proposed rule would ensure program revenue funding through fees to continue these statutorily required inspections and protect animal health and wellbeing, human health, and consumer protection.

In 2019, the Department held three listening sessions with stakeholders to brainstorm solutions to the current financial under-recovery and get their individual points of view about the possible pros and cons of alternatives to address the financial under-recovery. No stakeholder expressed that the current fees should not be evaluated and no stakeholder expressed an interest in removing or reducing the activities of the programs.

The Department held a preliminary hearing on the statement of scope (SS 093-20) on August 20, 2020, with comments open until August 27, 2020. The Department received two comments during the preliminary hearing. Both comments requested that the Department exempt shelter/control facilities from a fee increase.

The Department convened an ATCP 16 Advisory Committee to advise the Department in relation to the Statement of Scope (SS 093-20). The Committee was comprised of representatives from each of the groups under Wis. Stat. § 173.41 (14) (b). The Committee met on March 2, 2021 to discuss potential fee options.

All members of the ATCP 16 Advisory Committee expressed support of an option to increase license fees to recover the annual costs and recover the projected deficit over five years. Individual members either expressed support of increasing all license fees by an equal percentage or expressed support of increasing the license fees for shelter/control facilities by 100% and all other license fees by a higher amount.

Those supporting an equal percentage expressed that all licensees should have to share in the cost of operating and should not be exempt from cost increases over time. Those supporting a lower percentage for shelter/control facilities expressed that shelter/control facilities are non-profit entities and that an increase of more than 100% would have a significant impact to small shelters in rural communities.

All members of the ATCP 16 Advisory Committee expressed support of increasing the reinspection fee by a higher percentage than the license fee. The Department analyzed the cost of conducting reinspection over the past few years.

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The cost of a reinspection varies depending on the extent of issues to address and the time required. The average cost of a reinspection is approximately \$400.

13. Identify the Local Governmental Units that Participated in the Development of this EIA.

NA

14. Summary of Rule's Economic and Fiscal Impact on Specific Businesses, Business Sectors, Public Utility Rate Payers, Local Governmental Units and the State's Economy as a Whole (Include Implementation and Compliance Costs Expected to be Incurred)

The proposed rule would increase license and reinspection fees for dog sellers and dog facility operators. Most or all affected entities are small businesses, pursuant to the definition under Wis. Stat. § 227.485 (2) (c).

The overall anticipated economic impact is estimated to be moderate but could be significant for individual entities depending upon the individual business. Pursuant to Wis. Stat. § 227.22 (2) (e), the rule will apply to small businesses on the first day of the 3rd month commencing after the date of publication of the rule. Based on current projections for the timeline of the rule process, the proposed rule would become effective for all entities by the beginning of Fiscal Year 2024 (July 1, 2023).

This rule proposal includes a 100% license fee increase for shelter/control facilities, a 120% license fee increase for all other entities, and a 167% reinspection fee increase. Shown below are the current and proposed license and reinspection fee amounts, the dollar and percentage amount of each change, the number of licensees in each category, and the average reinspection count each year.

**In-State License:**

Dog Seller 25-49:	Current Fee \$250,	Proposed Fee \$550,	\$ Change \$300,	% Change 120%,	# Licensees 114
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Shelter/Control:	Current Fee \$125,	Proposed Fee \$250,	\$ Change \$125,	% Change 100%,	# Licensees 179

**Out-Of-State License:**

Dog Seller 25-49:	Current Fee \$375,	Proposed Fee \$825,	\$ Change \$450,	% Change 120%,	# Licensees 6
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Dog Seller 250+:	Current Fee \$1,500,	Proposed Fee \$3,300,	\$ Change \$1,800,	% Change 120%,	# Licensees 1
Shelter/Control:	Current Fee \$188,	Proposed Fee \$375,	\$ Change \$188,	% Change 100%,	# Licensees 0

Reinspection:	Current Fee \$150,	Proposed Fee \$400,	\$ Change \$250,	% Change 167%,	# Reinspect 23
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15. Benefits of Implementing the Rule and Alternative(s) to Implementing the Rule

The proposed fees would ensure recovery of annual program costs and would gradually eliminate the current and projected deficit over five years. Without the proposed fee increase, the appropriation would continue to operate in a negative cash balance until a different change occurs, such as the creation of an alternative funding source or a statutory change. The department would continue to report the negative cash balance to the Joint Committee on Finance.

16. Long Range Implications of Implementing the Rule

The proposed fees would ensure recovery of annual program costs and would gradually eliminate the current and projected deficit over five years.

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#### 17. Compare With Approaches Being Used by Federal Government

The United States Department of Agriculture (USDA) licenses some businesses that breed or broker dogs. As of March 2020, there are 86 USDA-licensed dog breeders (Class A) and 10 USDA-licensed dog brokers (Class B) in Wisconsin. These numbers include some, but not all, businesses that are also licensed as dog sellers by the Wisconsin Department of Agriculture, Trade and Consumer Protection (DATCP).

USDA and DATCP have different criteria for determining whether an entity needs to be licensed, as well as different minimum facility requirements. USDA does not license retail pet stores and does not license breeders with four or fewer breeding females. DATCP licenses persons who operate an animal shelter, animal control facility, dog breeder, dog breeding facility, dog dealer, or out-of-state dog dealer. Among other criteria defined in Wis. Stat. § 173.41 (1), these are entities that shelter or sell 25 or more dogs in a year.

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#### 18. Compare With Approaches Being Used by Neighboring States (Illinois, Iowa, Michigan and Minnesota)

Each of the adjacent states has a program related to dog sellers and facilities, but the programs vary greatly. Below is a comparison of the programs in Wisconsin, Illinois, Iowa, Michigan, and Minnesota. Each have unique program structures, program requirements, and funding sources.

##### Wisconsin

Wisconsin licenses dog sellers and dog facility operators, including animal shelters and control facilities.

Wisconsin's program is funded through Program Revenue (PR). The primary source of program revenue is from license fees, but there is also a smaller portion of program revenue from reinspection fees.

Wisconsin's current license fees are shown below. The first amounts listed are the license fees for in-state entities and the second amounts listed in parentheses are the license fees for out-of-state entities, which are 150% of the license fees for in-state entities.

- \$250 (\$375) for entities licensed to sell or offer to sell at least 25 but fewer than 50 dogs per year
- \$500 (\$750) for entities licensed to sell or offer to sell at least 50 but fewer than 100 dogs per year
- \$750 (\$1,125) for entities licensed to sell or offer to sell at least 100 but fewer than 250 dogs per year
- \$1,000 (\$1,500) for entities licensed to sell or offer to sell 250 or more dogs per year
- \$125 (\$188) for entities licensed to operate an animal shelter or animal control facility

Wisconsin's current reinspection fee is \$150. On average, there are approximately 23 reinspections per year.

When the Department receives an application for licensure, that application is reviewed and processed. The Department conducts a pre-license inspection that the applicant must pass prior to the issuance of a license. The Department conducts routine inspections of all licensed premises at least once every two years.

The Department also receives and reviews complaints. The Department investigates cases of entities operating without a license and other alleged violations. The Department also conducts follow-up inspections and reinspection when violations are noted as part of an investigation or inspection, to ensure that compliance is gained. The Department takes compliance actions as appropriate, which can include an action on a license (such as to suspend, condition, deny, or revoke), or referral for civil forfeiture or criminal action.

Wisconsin has three dedicated companion animal inspectors, part of a veterinarian specialist, part of a license/permit program associate, and part of an inspection supervisor. Additional staff, including a compliance officer and other field staff, assist as needed when a reinspection or further actions are required.

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Wisconsin currently licenses 506 entities:

- 120 (114 in-state and 6 out-of-state) entities licensed to sell or offer to sell at least 25 but fewer than 50 dogs per year
- 103 (101 in-state and 2 out-of-state) entities licensed to sell or offer to sell at least 50 but fewer than 100 dogs per year
- 76 (75 in-state and 1 out-of-state) entities licensed to sell or offer to sell at least 100 but fewer than 250 dogs per year
- 28 (27 in-state and 1 out-of-state) entities licensed to sell or offer to sell 250 or more dogs per year
- 179 (all in-state) entities licensed to operate an animal shelter or animal control facility

#### Illinois

Illinois licenses animal shelters and animal control facilities, dog and cat breeders, kennel operators, dog day care operators, pet store operators, dog dealers, horse rescues, and guard dog services.

Illinois' program is funded through General Revenue Funds (GRF). All licensing fees and fines go back into GRF.

Illinois' initial license application fee is \$350. The license renewal fee is \$100. Late license renewals have a \$300 late fee.

When Illinois receives an application, the inspector in that area is assigned to do an initial inspection. A license will not be sent until that inspection has been completed and approved by the inspector. Illinois does complaint-based inspections. Illinois strives for annual inspections, but annual inspections are not always obtainable due to resources and staffing.

Illinois currently has five field inspectors and one field veterinarian, who are also responsible for inspection of animal health licenses (such as auctions, markets, etc) and other duties as assigned.

Illinois currently has the following number of licensees:

- 168 animal controls
- 517 animal shelters
- 6 cat breeders
- 9 dog dealers
- 4 guard dog services
- 22 horse rescues
- 585 kennel operators
- 196 dog breeders with over six intact females
- 228 day care operators
- 340 pet shop operators

#### Iowa

Iowa authorizes the operation of:

- Commercial establishments which are commercial breeders (breeds and sells dogs or cats and owns four or more intact males or females)
  - Dealers (which includes rescues)
  - Animal shelters
  - Pounds
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- Research facilities
- Commercial kennels (grooming, boarding, training, dog daycare)
- Boarding kennels
- Pet stores
- Public auctions
- Iowa also permits USDA licensed breeders and dealers

Iowa's program is funded through licensing fees and an appropriation from the general fund.

Iowa's program fee is \$175 per year for all of the above mentioned commercial establishments, except for animal shelters and pounds which are \$75 per year.

In order to be an authorized commercial establishment in Iowa, one must apply and submit an application fee. Once these are received, an inspector performs a pre-licensing inspection. If the facility is compliant, a license is issued. If the facility is noncompliant, then the inspector documents the areas of noncompliance and the corrective actions that are necessary and discusses a timeline with the applicant. The inspector will perform a reinspection. All commercial establishments, with the exception of USDA permittees, are inspected once per calendar year. Inspections are unannounced. If the facility is noncompliant, then the inspector documents the areas of noncompliance, the corrective actions necessary to become compliant, and a deadline to become compliant. The inspector then performs a reinspection. An inspection is also performed if Iowa receives a complaint against a licensed establishment.

Iowa has eight inspectors and two compliance investigators. About two-thirds to three-quarters of each inspectors' duties are inspections of commercial establishments. However, they do have other job duties. Iowa does not inspect USDA permittees unless Iowa receives a complaint against one. Iowa responds under the state's animal welfare law, not the program regulations.

Iowa has 1,540 authorized commercial establishments, of which 291 are licensed as commercial breeders plus an additional 299 USDA permittees.

#### **Michigan**

Michigan requires licensure or registration for pet shops, animal shelters, and large-scale dog breeding kennels. The pet shop program is currently suspended.

Michigan's program is funded partially through license fees and partially through general funds.

Michigan's pet shops program has a one-time fee of \$100. Michigan's large-scale dog breeding kennels (16 or more intact females that have whelped before) has a yearly license fee of \$500. Michigan's animal shelters program is funded entirely by general funds. There is no required application or registration fee for Michigan's animal shelters program.

Michigan law requires a pre-licensing inspection for shelters and pet shops. Michigan requires that all three entity types demonstrate their facilities comply with the state rules. There are few regulations in Michigan law. Inspections are done by field staff, field veterinarians, and a licensed veterinary technician. There is no specified period for reinspection or annual inspection. The law requires an inspection prior to licensure and requires facilities to demonstrate that they are in compliance. Due to this, the Michigan department's response to additional inspections has varied in past years. Many years ago, the Michigan department inspected facilities multiple times a year. There have been times when the Michigan department did not inspect beyond the pre-licensing inspection unless they received a complaint. The Michigan

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department has been striving for annual reinspection most recently.

The Michigan pet shops program is currently suspended. Before the suspension, Michigan last licensed around 250 pet shop facilities. Michigan currently has 13 large-scale dog breeding kennels and 195 shelters registered.

#### **Minnesota**

Minnesota has a commercial dog and cat breeder licensing program. The program requires a person who possesses or has an ownership interest in animals, is engaged in the business of breeding animals for sale or for exchange in return for consideration, possesses ten or more adult intact animals, and whose animals produce more than five total litters of puppies or kittens per year to be licensed and comply with all applicable statutes.

Minnesota also has a kennel licensing program. The program requires any person who operates a kennel where dogs or cats are kept, congregated, or confined to be licensed and comply with all applicable statutes. This includes if the dogs or cats were obtained from municipalities, pounds, auctions, or by advertising for unwanted dogs or cats, or dogs or cats strayed, abandoned, or stolen. This includes humane societies, rescue organizations, and impound facilities. This does not include a pound owned and operated by any political subdivision of the state, a person's home where dogs or cats are kept as pets, or a veterinarian licensed to practice in the state.

Minnesota's dog and cat breeder program and kennel licensing program are both funded by state appropriation which is incorporated into the general fund. All fees and penalties collected for the commercial dog and cat breeder program are credited to the dog and cat breeders licensing account in the special revenue fund. Money in the account, including interest on the account, is annually appropriated to administer the dog and cat breeder program. Penalties and fees for the kennel licensing program are deposited into the general fund.

Minnesota's commercial dog and cat breeders fee is \$10 per adult intact animal up to a maximum of \$250. The kennel license fee is \$15.

Under Minnesota's commercial dog and cat breeders program, there is an initial pre-license inspection within 60 days from the date of receiving a license application. The Minnesota board initially inspects each licensed facility at least annually. If, after the pre-license inspection, the commercial breeder has two consecutive years of inspections with no violations, the Minnesota board must inspect the commercial breeder at least every two years. If the commercial breeder has any violations during an inspection or if there is cause, the Minnesota board must inspect the commercial breeder at least annually. The Minnesota board must initiate an investigation upon receiving a formal complaint alleging violations. The program has 11 inspectors, consisting of state employees, veterinarians, and agriculture specialists.

Under Minnesota's kennel licensing program, the kennel must be initially inspected by the Minnesota board. Periodic inspections must be made pursuant to Minnesota statutes. Upon request, the Minnesota board must be allowed to inspect any building or structure on a premises where a kennel is operated. Inspections are done at a minimum annually. The Minnesota board initiates an investigation upon receiving a formal complaint alleging violations. The program has 24 inspectors, consisting of state employees, federal employees, veterinarians, animal health technicians, and agriculture specialists.

All Minnesota staff, both veterinarians and non-veterinarians, conduct a myriad of inspections including breeders and kennels. The key difference is that federal staff do not perform breeder inspections, which are conducted by state staff only.

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Minnesota licenses 123 commercial dog and cat breeders and 82 kennels.

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19. Contact Name

Angela Fisher

20. Contact Phone Number

608-224-4890

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This document can be made available in alternate formats to individuals with disabilities upon request.

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### ATTACHMENT A

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1. Summary of Rule's Economic and Fiscal Impact on Small Businesses (Separately for each Small Business Sector, Include Implementation and Compliance Costs Expected to be Incurred)

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The overall anticipated economic impact is estimated to be moderate but could be significant for individual entities depending upon the individual business. Pursuant to Wis. Stat. § 227.22 (2) (e), the rule will apply to small businesses on the first day of the 3rd month commencing after the date of publication of the rule. Based on current projections for the timeline of the rule process, the proposed rule would become effective for all entities by the beginning of Fiscal Year 2024 (July 1, 2023).

This rule proposal includes a 100% license fee increase for shelter/control facilities, a 120% license fee increase for all other entities, and a 167% reinspection fee increase. Shown below are the current and proposed license and reinspection fee amounts, the dollar and percentage amount of each change, the number of licensees in each category, and the average reinspection count each year.

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Dog Seller 100-249:	Current Fee \$750,	Proposed Fee \$1,650,	\$ Change \$900,	% Change 120%,	# Licensees 75
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2. Summary of the data sources used to measure the Rule's impact on Small Businesses

The proposed rule would impact persons who annually sell 25 or more dogs from more than three litters or operate animal shelters. There are currently 506 licensees:

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3. Did the agency consider the following methods to reduce the impact of the Rule on Small Businesses?

- Less Stringent Compliance or Reporting Requirements
- Less Stringent Schedules or Deadlines for Compliance or Reporting
- Consolidation or Simplification of Reporting Requirements
- Establishment of performance standards in lieu of Design or Operational Standards
- Exemption of Small Businesses from some or all requirements
- Other, describe:

The proposed rule includes a smaller percentage fee increase for shelters/control facilities compared to the other license

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categories.

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4. Describe the methods incorporated into the Rule that will reduce its impact on Small Businesses

Pursuant to Wis. Stat. § 227.22 (2) (e), the rule will apply to small businesses on the first day of the 3rd month commencing after the date of publication of the rule. Based on current projections for the timeline of the rule process, the proposed rule would become effective for all entities by the beginning of Fiscal Year 2024 (July 1, 2023).

The proposed rule also includes a smaller percentage fee increase for shelters/control facilities compared to the other license categories.

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5. Describe the Rule's Enforcement Provisions

There are no changes to enforcement related to this rule proposal.

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6. Did the Agency prepare a Cost Benefit Analysis (if Yes, attach to form)

Yes    No

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