

Department of Legislative Services
 Maryland General Assembly
 2023 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 365 (Delegate Lehman, *et al.*)
 Environment and Transportation

Department of Agriculture - Spay/Neuter Fund

This bill modifies provisions governing the Spay/Neuter Fund in order to (1) allow for voluntary donations to be made to the fund; (2) allow for additional uses of the fund; (3) require that priority be given to specified competitive grant proposals; (4) add a reporting requirement applicable to recipients of grants awarded for the purpose of serving multiple jurisdictions; and (5) require the fee on commercial dog and cat food (that is paid into the fund) to be adjusted for inflation. **The bill takes effect July 1, 2023.**

Fiscal Summary

State Effect: Special fund revenues and expenditures increase by \$88,800 in FY 2024. Future years reflect ongoing fee increases and corresponding spending.

(in dollars)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
SF Revenue	\$88,800	\$200,900	\$312,600	\$337,000	\$361,800
SF Expenditure	\$88,800	\$200,900	\$312,600	\$337,000	\$361,800
Net Effect	\$0	\$0	\$0	\$0	\$0

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: Local government revenues and expenditures may increase annually, as discussed below.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary/Current Law:

Spay/Neuter Fund – Revenues, Uses, Priorities, and Reporting

The Spay/Neuter Fund, administered by the Maryland Department of Agriculture (MDA), was established in 2013 to reduce animal shelter overpopulation and cat and dog euthanasia rates by financing grants to local governments and animal welfare organizations for programs that most efficiently and effectively facilitate the provision of spay and neuter services for cats and dogs in the State.

Under current law, the fund receives revenues from a fee imposed on each registered brand name or product name of dog or cat food. The bill requires MDA to also establish a process through which a person may make a voluntary donation to the fund.

Under current law, the fund may be used to finance selected competitive grant proposals submitted by a local government or an animal welfare organization to facilitate and promote the provision of spay and neuter services for cats and dogs. The bill establishes that such financing may include financing the costs related to:

- wellness care for cats and dogs at the time of a spay or neuter service;
- mobile veterinary clinic transportation; and
- transportation services to bring animals to a clinic from an unserved area.

Under current law and under the bill, MDA may use money in the fund to finance public education and outreach efforts for the competitive grant program and for the reasonable costs of administering the fund.

Under current law, MDA must evaluate a competitive grant proposal based on specified standards, including a requirement that a proposal target low-income communities and populations to the maximum extent possible and detail how that goal is to be accomplished. The bill adds a requirement that MDA give priority to competitive grant proposals that will:

- provide eligible services through the use of a mobile veterinary clinic;
- serve multiple jurisdictions; or
- serve previously unserved areas.

Under current law, MDA is required to adopt regulations requiring a grant recipient to report relevant information on how the grant was used, including data on the number and

type of spay or neuter surgeries performed and a description of any public education and outreach implemented. The bill adds that if the grant was awarded for the purpose of serving multiple jurisdictions, the reported information must demonstrate that each of the jurisdictions was served in an equitable manner.

Fee Imposed on Dog and Cat Food

Under current law, the Secretary of Agriculture must establish a fee on each brand name or product name of commercial feed that is (1) prepared and distributed for consumption by a dog or cat and (2) registered in the State. Revenues from the fee are paid into the Spay/Neuter Fund.

Under current law, the fee is \$100. The bill establishes that, after September 30, 2023, the fee is \$100 adjusted annually for inflation using 2013 as the baseline year for calculating the adjustment. The initial adjustment to the fee must be phased in over a period of three years, beginning October 1, 2023. However, the fee remains \$100, without annual adjustment for inflation, for pet food manufacturers who demonstrate to MDA that the manufacturer has a gross income from the distribution of pet food products of not more than \$500,000.

Under current law and under the bill, the fee is paid by the person registering the commercial feed in accordance with collection and reporting guidelines established by MDA by regulation.

State Fiscal Effect: Special fund revenues and expenditures increase by \$88,847 in fiscal 2024 and by additional amounts in future years as shown in **Exhibit 1**, reflecting additional revenues from the annual adjustment of the fee on dog and cat food products and spending of those additional revenues. Special fund revenues and expenditures may increase further to the extent the fund receives voluntary donations; however, MDA indicates donations may be relatively minimal to the extent donors prefer to donate directly to local organizations providing spay/neuter services. This estimate assumes:

- 8,661 dog and cat food products are affected by the increased fee (based on an estimate provided by MDA, of the number of registered products that are made by manufacturers that have a gross income from the distribution of pet food products of over \$500,000);
- the number of affected products remains the same in future years;
- inflation adjustments are consistent with current forecasts for the U.S. Consumer Price Index – All Urban Consumers (Moody’s Analytics’ forecast is used for the purposes of this fiscal and policy note); and

- special fund expenditures increase by the same amount as special fund revenues in order to support the bill’s expanded uses of the fund while maintaining spending dedicated to facilitating and promoting the provision of spay and neuter services.

Exhibit 1
Special Fund Revenue and Expenditure Increases Due to Fee Adjustment

	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>
Fee amount (under current law)	\$100	\$100	\$100	\$100	\$100
Fee amount (under the bill)*	110	123	136	139	142
Fee revenue** (under current law)	866,100	866,100	866,100	866,100	866,100
Fee revenue** (under the bill)	954,947	1,066,954	1,178,673	1,203,118	1,227,892
Special fund rev. increase	\$88,847	\$200,854	\$312,573	\$337,018	\$361,792
Special fund exp. Increase	\$88,847	\$200,854	\$312,573	\$337,018	\$361,792

*Calculated using Moody’s Analytics’ inflation forecast (U.S. Consumer Price Index – All Urban Consumers).

**Fee revenue from products made by manufacturers that have a gross income from the distribution of pet food products of more than \$500,000 (those subject to the fee increases under the bill).

Source: Department of Legislative Services

Local Fiscal Effect: Local government revenues and expenditures may increase annually, potentially beginning as early as fiscal 2024, due to the receipt and spending of additional available grant funding resulting from the bill’s fee increases.

Small Business Effect: Small business dog and cat food manufacturers may be meaningfully affected by the bill’s fee increases to the extent any small business dog and cat food manufacturers have gross income from the distribution of pet food products of more than \$500,000. MDA indicates that the combined amount of the existing Spay/Neuter Fund fee and a separate registration fee paid for dog and cat food products can affect manufacturers’ decision whether to sell their products in the State.

Additional Information

Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Caroline, Howard, and Prince George’s counties; Maryland Association of Counties; City of Annapolis; Maryland Municipal League; Maryland Department of Agriculture; Moody’s Analytics; Department of Legislative Services

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