

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

House Bill 935 (Delegate Billings. *et al.*)

Ways and Means

Chicken Excise Tax - Nutrient Waste Management Fund

This bill imposes a one cent per pound excise tax on all chickens and chicken parts sold to retail food vendors in the State, to be paid by the distributors. The excise tax is to be administered by the Comptroller of the Treasury. The bill also establishes a Nutrient Waste Management Fund to be administered by the Maryland Department of the Environment (MDE). The fund shall consist of funds from the chicken excise tax, money appropriated in the State budget, and money made available from any other source. The fund is to be used for the costs of managing and disposing of waste from chicken farming operations including: (1) providing financial assistance to chicken farmers for nutrient management planning; (2) conducting outreach to chicken farmers and training and educational programs regarding managing nutrients; and (3) development of nutrient management plans and alternative methods of chicken waste treatment and disposal, including combustion or transportation of wastes for approved disposal.

This bill takes effect July 1, 1998.

Fiscal Summary

State Effect: Special fund revenues and expenditures could increase by \$3.7 million in FY 1999. Future year increases reflect population growth.

(in dollars)	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
SF Revenues	\$3,698,500	\$3,728,800	\$3,762,500	\$3,796,500	\$3,830,900
SF Expenditures	\$3,698,500	\$3,728,800	\$3,762,500	\$3,796,500	\$3,830,900
Net Effect	\$0	\$0	\$0	\$0	\$0

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

Local Effect: None.

Small Business Effect: Minimal.

Fiscal Analysis

State Effect: The bill imposes a \$.01 per pound excise tax on all chickens and chicken parts sold to retail food vendors in the State. The tax is to be paid by the distributor. All excise tax revenue collected, less administrative costs, are to be distributed into the Nutrient Waste Management Fund administered by MDE. Gross revenues from the excise tax would be \$3,698,500 in fiscal 1999 based on the following facts and assumptions:

- \$.01 per pound excise tax on all chickens and chicken parts sold to retailers;
- the population of Maryland is 5.16 million; and
- per capita chicken consumption is 71.1 pounds annually.

According to information provided by the United States Department of Agriculture, it is estimated that there are approximately 50 - 100 distributors of chickens and chicken parts in the State. The Office of the Comptroller advises that it would incur a one-time start-up cost of \$10,000 for the purchase of new computer hardware and software to administer and collect the excise tax. Future year costs are expected to be minimal.

The bill also requires MDE to administer the Nutrient Waste Management Fund and to provide financial assistance to chicken farmers for nutrient management planning and disposal of wastes from chicken farming operations. As a result, special fund expenditures could increase by an estimated \$318,150 in fiscal 1999, which accounts for a 90-day start-up delay. This estimate reflects the cost of hiring three Public Health Engineers, two Administrators, and one Sanitarian to administer the disbursement of funds to farmers for nutrient management plans and to provide outreach, training, education, and development and implementation of nutrient management plans. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. Future year expenditures reflect (1) full salaries with 3.5% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

The fund will contain an estimated \$3,698,500 in fiscal 1999, of which \$328,150 would be spent on administration and personnel. The remainder, \$3,370,350 would be spent on developing nutrient management plans and managing and disposing of waste from chicken farming operations.

Additional Comments: The Governor's proposed fiscal 1999 budget includes \$3.9 million

to fund 45 new positions (31 at the Maryland Department of Agriculture and 14 at MDE) for nutrient management planning and water quality review. Under current practice the Maryland Department of Agriculture develops nutrient management plans.

Information Source(s): Comptroller of the Treasury (Board of Revenue Estimates), Maryland Department of the Environment, Department of Legislative Services

Fiscal Note History: First Reader - March 12, 1998

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