

Department of Legislative Services
 Maryland General Assembly
 2001 Session

FISCAL NOTE

House Bill 229 (Chairman, Environmental Matters Committee)
 (Departmental – Agriculture)
 Environmental Matters

Maryland Horse Industry Fund - Assessments on Commercial Horse Feed

This departmental bill authorizes the Secretary of Agriculture to establish an assessment of up to \$2 per ton on commercial feed that is sold in Maryland and intended for horses. The assessment must be paid by the person registering the feed. Any assessments collected must be paid into the Maryland Horse Industry Fund. The Secretary must establish by regulation guidelines for collecting and reporting the assessments under the bill and procedures to allow for the reimbursement of the assessment.

The bill takes effect July 1, 2001.

Fiscal Summary

State Effect: Special fund revenue increase of \$100,000 in FY 2002 and \$300,000 annually beginning in FY 2003. Reimbursements from the fund are anticipated to be minimal. The bill would not require additional expenditures.

(in dollars)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
SF Revenue	\$100,000	\$300,000	\$300,000	\$300,000	\$300,000
SF Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	\$100,000	\$300,000	\$300,000	\$300,000	\$300,000

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

Local Effect: None.

Small Business Effect: The Maryland Department of Agriculture (MDA) has determined that this bill will have minimal or no impact on small business (attached). Legislative Services concurs with this assessment as discussed below.

Analysis

Current Law: The Maryland Horse Industry Fund is a continuing, revolving special fund in MDA. The fund consists of: (1) moneys made available from a nominal fee, not to exceed \$10 per service, imposed on the industry and collected by MDA, pursuant to regulation; (2) moneys made available by general, federal, or special fund appropriations; and (3) moneys made available by gifts, grants, or transfers from any government or unit or instrumentality of a government or from any private sector sources.

Background: Equine-related activities and associated industries are a growing part of Maryland's rural landscape and economy. Chapter 416 of 1998 established the Maryland Horse Industry Fund and expanded the scope of activities of the Maryland Horse Industry Board. In addition to its regulatory role, for which it receives general funds, the board was directed to support equine research, promote the development and use of horses in the State, create public awareness of the value of equine activities, and develop and disseminate information relating to the equine industry. According to MDA, the fund was established with the expectation that an industry-supported funding source would be developed to support these promotional and educational activities. Although authorized to do so under current law, MDA does not currently charge service fees to the industry. The board and the Maryland Horse Council have considered various industry-supported funding mechanisms. This legislation is a direct result of those considerations. According to MDA, the proposed horse feed assessment is similar to one recently created in North Carolina. Virginia also has a program that is funded through industry assessments.

The board received \$80,000 in general funds in the fiscal 2001 budget for promotional activities (\$30,000 for a preliminary feasibility study to analyze the prospects for a world-class horse park to attract tourists and serve as a home to showcase equine events, and \$50,000 for promotion of the horse industry in Maryland). These activities are not funded in the proposed fiscal 2002 budget.

During its 1999 evaluation of the board pursuant to the Maryland Program Evaluation Act, the Department of Legislative Services recommended that as part of its report due to the legislature on September 30, 2001, the board should propose a long-term financing mechanism that would include all components of the horse industry to support the expanded functions of the board.

State Fiscal Effect: The bill authorizes MDA to establish an assessment of up to \$2 per ton on commercial horse feed that is sold in the State. The actual amount of horse feed sold annually in the State is unknown. However, based on the nutritional requirements of

horses, MDA estimates that approximately 1.5 tons of feed per year per horse is sold in the State. According to MDA, there are approximately 100,000 horses in the State. Accordingly, assuming MDA establishes an assessment of \$2 per ton on commercial feed, special fund revenues will increase by an estimated \$300,000 annually beginning in fiscal 2003. Because MDA does not expect regulations implementing the assessment to be effective until November 2001, special fund revenues will increase by an estimated \$100,000 in fiscal 2002. Based on similar programs in other states, any reimbursements from the fund are expected to be minimal.

MDA could implement the assessment with existing budgeted resources. However, MDA reports that it intends to spend the additional special fund revenue to meet the requirements of Chapter 416 of 1998. The board's multi-year plan to improve the industry through promotion, education, visibility, and research includes expenditures for hiring a part-time executive director and costs related to conducting an extensive promotional campaign. The board plans to develop and distribute an industry promotional video, develop a traveling exhibit for civic events and trade shows, and print promotional brochures, calendars, and other supporting materials with the exhibit. Other planned expenditures include the development of educational materials and seasonal promotion of the equine industry. In its budget request for fiscal 2002, MDA requested \$100,000 in special funds to implement part of this plan. The Governor's proposed fiscal 2002 budget, however, does not include any special funds for these activities.

Small Business Effect: In its small business impact statement, MDA estimates that the bill will increase feed costs by \$3.65 per horse annually. However, according to MDA, approximately 1.5 tons of feed per horse is needed annually. Assuming that MDA establishes an assessment of \$2 per ton, Legislative Services advises that the bill will result in an increase in feed costs of an estimated \$3 per horse annually.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Department of Agriculture, Department of Legislative Services

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