

**Department of Legislative Services**  
**Maryland General Assembly**  
**2002 Session**

**FISCAL NOTE**  
**Revised**

House Bill 467 (Chairman, Environmental Matters Committee)  
 (Departmental – Agriculture)

Environmental Matters

Finance

**Maryland Horse Industry Fund - Assessments on Commercial Equine Feed**

This departmental bill authorizes the Secretary of Agriculture to establish an assessment of up to \$2 per ton on commercial equine (horse) feed sold in Maryland. The assessment must be paid by the person registering the feed. Any assessments collected must be paid into the Maryland Horse Industry Fund and used only for education, research, and promotional materials and activities intended to benefit the Maryland equine industry. 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 and to require that a purchaser of feed be notified of the possibility of reimbursement. The bill also repeals the existing authority to charge a fee for service.

The bill takes effect July 1, 2002 and sunsets June 30, 2007.

**Fiscal Summary**

**State Effect:** Special fund revenue increase of \$100,000 in FY 2003 and \$300,000 annually from FY 2004 through FY 2007. Reimbursements from the fund are anticipated to be minimal. The bill would not require additional expenditures.

(in dollars)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
SF Revenue	\$100,000	\$300,000	\$300,000	\$300,000	\$300,000
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. (The attached assessment does not reflect amendments to the bill.)

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## **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 is 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.

During its 1999 evaluation of the board pursuant to the Maryland Program Evaluation Act, the Department of Legislative Services recommended that as part of the board's 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. In its report, the board discussed the assessment program that had been proposed during the 2001 legislative session (House Bill 229). In an effort to address concerns raised during the 2001 session, the board, with the Maryland Horse Council, conducted a survey of horse-related organizations during the 2001 interim. Specifically, the board and the Maryland Horse Council sought input from every known horse-related organization in the State in an effort to explain the purpose of the

proposed feed assessment program. According to the Maryland Horse Council (an umbrella association for all horse organizations in the State), in January 2002 its members voted to support the concept of a feed assessment program.

**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 from fiscal 2004 through fiscal 2007. Because MDA does not expect regulations implementing the assessment to be effective until April 2003, special fund revenues will increase by an estimated \$100,000 in fiscal 2003. 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 revenues 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.

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). The fiscal 2002 budget included about \$76,000 for these activities; the Governor's proposed fiscal 2003 budget includes approximately \$75,000 in general funds for these activities.

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### **Additional Information**

**Prior Introductions:** Similar legislation was introduced during the 2001 session as HB 229. The bill received an unfavorable report by the House Environmental Matters Committee.

**Cross File:** None.

**Information Source(s)** Maryland Department of Agriculture, Maryland Horse Council,  
Department of Legislative Services

**Fiscal Note History:** First Reader - March 8, 2002  
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