

Department of Legislative Services
 Maryland General Assembly
 2004 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 51 (Chairman, Education, Health, and Environmental Affairs Committee)
 (By Request – Departmental – Agriculture)

Education, Health, and Environmental Affairs

Environmental Matters

Agriculture - State Board of Veterinary Medical Examiners Fund

This departmental bill establishes the State Board of Veterinary Medical Examiners Fund as a continuing, nonlapsing fund to be used to cover the actual direct and indirect costs of the board. The board must publish the fees it sets in its rules and regulations; the fees must be set so as to produce funds that approximate the cost of maintaining the board. The bill repeals the provision of current law that requires that all exam and registration fees received by the board be paid into the general fund.

The bill takes effect July 1, 2004.

Fiscal Summary

State Effect: General fund revenues would decrease by \$220,000 annually beginning in FY 2005. General fund expenditures would decrease by \$191,900 in FY 2005; out-year estimates reflect 3% annual growth. The fiscal 2005 budget provides for the elimination of general funds for the board contingent upon the enactment of this bill. Special fund revenues would total \$415,850 annually beginning in FY 2005, reflecting proposed regulatory fee increases in FY 2005. Special fund expenditures would total \$396,600 in FY 2005; out-year estimates reflect ongoing operating costs and are adjusted for inflation.

(in dollars)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
GF Revenue	(\$220,000)	(\$220,000)	(\$220,000)	(\$220,000)	(\$220,000)
SF Revenue	415,900	415,900	415,900	415,900	415,900
GF Expenditure	(191,900)	(197,600)	(203,600)	(209,700)	(216,000)
SF Expenditure	396,600	391,700	404,500	417,900	432,000
Net Effect	(\$8,800)	\$1,800	(\$5,000)	(\$12,300)	(\$20,100)

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

Local Effect: The bill would not materially affect local operations or finances.

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.

Analysis

Current Law: The board is required to set reasonable fees necessary to carry out its responsibilities. Examination and annual registration fees received by the board are paid into the general fund.

Background: The Maryland General Assembly created the board in 1894 to improve the practice of veterinary medicine in Maryland. The board currently regulates over 2,300 veterinarians and approximately 500 veterinary facilities. The board is responsible for examining, licensing, and registering veterinarians; issuing permits for sodium pentobarbital; annually inspecting and licensing Maryland veterinary hospitals; imposing educational, training, and supervisory requirements on veterinarians; prescribing reasonable standards for the practice of veterinary medicine; and taking disciplinary action against licensees who violate the laws and regulations governing the practice of veterinary medicine in the State.

The board's funding is currently included in the annual general fund budget request submitted by MDA. MDA advises that the board currently collects more in fee revenues than it receives back in its budget. According to MDA, the bill would ensure that the board has sufficient resources to fulfill its mandate and to improve its performance. MDA advises that the board's ability to do so is hampered by the lack of adequate resources. MDA advises that, if the bill passes, the board will likely propose fee increases in order to generate sufficient special fund revenue to achieve an acceptable level of performance. The board currently has the authority to increase fees by regulation.

State Fiscal Effect: By establishing a special fund to cover the direct and indirect costs of the board, the board would no longer receive a general fund appropriation. Revenues collected from fees would be deposited into the new special fund; those revenues would support the board's expenditures.

Impact on the General Fund

The bill would result in a minimal net loss to the general fund. (Currently, the general fund receives more in fee revenues from the board than the board gets back in its general fund appropriation.)

Current fees generate approximately \$220,000 annually in general fund revenues. Under this bill, fee revenue would be paid into the new special fund. Accordingly, the bill would result in a decrease in general fund revenues of approximately \$220,000 in fiscal 2005. It is assumed that, in the absence of the bill, revenues would remain relatively constant in the out-years.

The fiscal 2005 budget includes \$151,165 in general funds and \$43,519 in special funds for the board; the budget provides that the general fund appropriation be eliminated contingent on the enactment of this bill. MDA advises that, while the total amount included in the budget is correct (\$194,684), the budget should have included \$191,884 in general funds and \$2,800 in special funds. (The \$2,800 in special funds reflects veterinary technician examination fees passed through by MDA to the consultant that administers the exam.) Out-year estimates assume that, in the absence of the bill, the board's expenditures would have increased by 3% annually.

Anticipated Budget of the New Special Fund

Special Fund Expenditures

The board's current expenditures are estimated to total \$194,684 in fiscal 2005, as described above. Under the bill, the board would be completely funded out of the new special fund. Accordingly, special fund expenditures could increase by an estimated \$396,558 in fiscal 2005, which reflects the bill's July 1, 2004 effective date. This estimate reflects the board's estimated expenditures in the absence of the bill (\$194,684) plus additional costs (\$201,874) that the board anticipates it will incur in order to adequately fulfill its existing statutory obligations. Currently, the board has three employees (one inspector, one administrative position, and one clerical position). The additional costs reflect the cost of hiring one executive director to coordinate the board's activities and one investigator/inspector to inspect facilities and investigate complaints. The additional costs include salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses, including contractual services for public outreach. The estimate also reflects indirect costs MDA will charge to the new special fund to cover overhead as well as a reduction in expenditures of \$17,222 relating to a contractual investigator who would no longer be needed.

Salaries and Fringe Benefits	\$109,386
Indirect Costs	70,000
Reduction for Contractual Investigator	(17,222)
Contractual Services	15,000
Automobile Purchase and Operations	12,200
Communications and Travel	9,500
Other Expenses	<u>3,010</u>
Additional FY 2005 State Expenditures	\$201,874

Future year expenditures assume that, in the absence of the bill, the board's expenditures would have increased by 3% annually, and, with respect to the additional expenditures, reflect: (1) salaries with 4.6% annual increases and 3% employee turnover; (2) 1% annual increases in ongoing operating expenses; and (3) ongoing indirect charges of \$70,000.

Special Fund Revenues

Current fees generate approximately \$220,000 annually. As a result of the passage of this bill, MDA has already proposed fee increases and new fees (through regulation) in order to generate sufficient revenue to cover not only the current costs of the board, but also the anticipated additional costs described above. Proposed fees range from \$15 (for letter of good standing) to \$175 (for veterinarian State board examination fee). The proposed fee levels will generate an estimated \$415,850 annually in special fund revenues; this represents an increase in fee revenues of approximately 89%. Excess revenue would carry over from one year to the next; accordingly, in the out-years when expenditures will exceed annual revenues, the board will spend down its fund balance to cover costs.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - January 23, 2004
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