

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

House Bill 333 (Chairman, Environmental Matters Committee and
Chairman, Ways and Means Committee)
(By Request – Departmental – Agriculture)

Environmental Matters and Ways and Means Education, Health, and
Environmental Affairs

Maryland Horse Industry Board - Sunset Extension and Program Evaluation

This departmental bill extends the termination date for the Maryland Horse Industry Board (MHIB) from July 1, 2006 to July 1, 2016 and requires another sunset evaluation on or before July 1, 2015. The bill also modifies MHIB's inspection schedule, repeals the 2007 sunset of the equine feed assessment, and requires specified reports.

The bill takes effect July 1, 2006.

Fiscal Summary

State Effect: Revenues and expenditures for MHIB would be maintained beyond FY 2007. The proposed FY 2007 budget assumes \$283,800 in special fund revenues and combined general fund and special fund expenditures of \$345,900. Current license and inspection fees generate approximately \$34,000 in general fund revenues annually. Out-year expenditures are expected to remain relatively constant.

Local Effect: None.

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

Analysis

Bill Summary: In addition to extending MHIB's termination date by 10 years, the bill:

- changes the annual inspection schedule so that a facility must be inspected at least once every two years – licenses would continue to be issued or renewed on an annual basis;
- maintains the equine feed assessment as a revenue source for MHIB by repealing its June 30, 2007 termination date;
- requires MHIB to report to specified committees by December 31, 2006 on the administrative penalties authorized under Chapter 151 of 2004; and
- requires MHIB to report to specified committees by October 1, 2006 on the implementation of the recommendations made by the Department of Legislative Services (DLS) in the October 2004 sunset evaluation report.

Current Law: MHIB's termination date is July 1, 2006.

The fee for licensure is \$50, and the inspection fee is \$25. A stable must renew its license and be inspected on an annual basis as long as it continues to offer any licensed activity. The renewal license and inspection fees are also \$50 and \$25, respectively. If a facility fails inspection and the board must conduct another inspection, the stable owner must pay \$25 for each additional inspection.

The maximum assessment on commercial equine feed sold in Maryland is \$2 per ton sold in Maryland. The commercial equine feed assessment is scheduled to terminate June 30, 2007. Funds collected from the equine feed assessment may only be used by MHIB for education, research, and promotional materials and activities intended to benefit the Maryland equine industry.

Background: MHIB has annually licensed and inspected horse stables in the State for more than 35 years. In addition, the board has a broad mission related to serving as an information resource about, supporting research on, and promoting the equine industry in Maryland.

The board is subject to the Maryland Program Evaluation Act, also known as the "sunset law," which provides a system of periodic legislative review of the regulatory, licensing, and other governmental activities of various units of State government. The bill arises

out of the sunset evaluation of MHIB performed by DLS during 2004. The report contained the following findings and recommendations for statutory changes.

Continued Need for MHIB

MHIB was last evaluated in 1999, following expansion of its mission and membership in 1998. Since then, MHIB has made significant progress in implementing its new equine industry functions. Moreover, the Equine Census indicates that the horse industry is perhaps the largest agricultural industry in the State, contributing significantly to the State's economy and to efforts to preserve a valuable landscape. MHIB continues to provide services vital to this industry and the State. DLS recommended extending MHIB for 10 years and requiring it to report to specified committees of the General Assembly.

Change the Annual Licensing and Inspection Schedule to a Biennial Schedule

As the number of licensed stables has grown steadily in recent years, the board's inspectors have not been able to maintain the required annual inspection schedule of stables. Even so, the board receives relatively few complaints about licensed stables and few reinspections have been required. Given the board's new enforcement authority over unlicensed stables, more stables are expected to comply with licensing and inspection requirements in the next couple of years, further stressing the workload of the board. DLS found that a biennial licensing and inspection schedule would allow the board to better manage its workload and meet its statutory requirements and recommended changing to a biennial schedule, wherein each license would be issued for up to two years and each facility would be inspected once every two years. For new licenses that would be effective for less than two years, DLS recommended MHIB be granted the authority to prorate the amount of the application fee.

MHIB Should Become More Self-sufficient

MHIB does not generate sufficient general fund revenue from licensing and inspecting stables to cover all related general fund expenses. The \$25 inspection fee has not been increased since 1976, and the \$50 license fee has not been increased since 1992. DLS found that it is reasonable to expect revenues to cover most, if not all, of the board's expenses and that an increase in licensing and inspection fees would be appropriate. DLS recommended increasing the license and inspection fees to at least \$125 and \$75, respectively, on a biennial basis for licenses issued or renewed on or after October 1, 2005, and their related inspections.

Equine Feed Assessment

The equine feed assessment, which supports the expanded mission activities of the board, has generated only about one-third of the revenue estimated when it was enacted. Moreover, this revenue source is scheduled to terminate in 2007. DLS recommended that the feed assessment abrogation be repealed so that it remains in existence for the life of the board and that monies generated from the assessment be authorized for all duties of the board. DLS also recommended doubling the ceiling on the commercial equine feed assessment to \$4, thereby giving the board the option of increasing revenues for grants and related activities as well as reducing reliance on a general fund subsidy for licensing and inspection activities.

State Fiscal Effect: State revenues and expenditures will be maintained beyond fiscal 2006 because the bill proposes to continue MHIB. Even though the inspection schedule changes to a two-year schedule, the fee will still be paid on an annual basis.

The proposed fiscal 2007 budget assumes \$283,801 in special fund revenues and combined general fund and special fund expenditures of \$343,886. Current license and inspection fees generate slightly less than \$34,000 in general fund revenues annually (\$33,450 in fiscal 2005; \$33,625 in fiscal 2004; and \$33,675 in fiscal 2003). Out-year expenditures are expected to remain relatively constant.

Additional Information

Prior Introductions: Similar bills were introduced as HB 555 and SB 446 in the 2005 session. Both bills were passed by their respective chambers; however, a conference committee could not reach an agreement on the various amendments and both bills failed.

Cross File: None.

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

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ncs/rhh

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