

Department of Legislative Services
 Maryland General Assembly
 2013 Session

FISCAL AND POLICY NOTE
Revised

House Bill 767

(Delegate Frush, *et al.*) (Chair, Task Force on the
 Establishment of a Statewide Spay/Neuter Fund)

Environmental Matters

Education, Health, and Environmental Affairs

Animal Welfare - Spay/Neuter Fund - Establishment

This bill establishes a fee on dog and cat commercial feed registered in the State and creates a Spay/Neuter Fund (a special, nonlapsing fund) in the Maryland Department of Agriculture (MDA) to reduce animal shelter overpopulation and cat and dog euthanasia rates by financing grants for programs that facilitate and promote spay and neuter services. Beginning January 1, 2014, animal control shelter programs operated by or contracted by local governments must submit a quarterly report to MDA providing specified information. MDA must report on the activities financed by the fund to the Governor and the General Assembly by August 31 annually, and, by December 15, 2015, MDA must submit a report to specified legislative committees on the fee revenue collected. MDA is authorized to adopt implementing regulations.

The bill terminates September 30, 2022.

Fiscal Summary

State Effect: MDA special fund revenues increase by \$517,500 in FY 2014 and by \$1.0 million in FY 2018 due to the fee; special fund revenues increase further due to investment earnings and any other funds paid into the fund. MDA general/special fund expenditures increase by \$517,500 in FY 2014 to hire an administrator and establish and implement the program. This analysis assumes that annual special fund expenditures correspond to annual special fund revenues during the FY 2015 through 2018 period.

(in dollars)	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
SF Revenue	\$517,500	\$776,300	\$1,035,000	\$1,035,000	\$1,035,000
GF/SF Exp.	\$517,500	\$776,300	\$1,035,000	\$1,035,000	\$1,035,000
Net Effect	\$0	\$0	\$0	\$0	\$0

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

Local Effect: Local revenues increase, potentially significantly, due to grants for facilitating and promoting spay and neuter services. Local governments benefit to the extent the bill reduces the overall demand for animal control services.

Small Business Effect: Meaningful.

Analysis

Bill Summary:

Spay/Neuter Fund

The fund consists of (1) revenue from the fee established by the bill; (2) money appropriated in the State budget to the fund; (3) the fund's investment earnings; and (4) money from any other source accepted for the benefit of the fund. The fund must retain any investment earnings.

The fund may be used for reasonable costs associated with administering the fund, to provide specified competitive grants, and to finance public education and outreach efforts associated with the grant program.

Fee on Commercial Dog and Cat Feed

The Secretary of Agriculture must establish a fee on each brand name or product name of commercial feed that is prepared and distributed for consumption by a dog or cat and is registered in the State. The fee is:

- \$50 for the October 1, 2013, through September 30, 2014 period;
- \$75 for the October 1, 2014, through September 30, 2015 period; and
- \$100 after September 30, 2015.

The fee must be paid by the person registering the commercial feed in accordance with specified guidelines. Fee revenue must be allocated to the fund established by the bill.

Grant Program

MDA must solicit and evaluate grant proposals from local governments and animal welfare organizations for efforts to facilitate and promote the provision of spay and neuter services for cats and dogs. A competitive grant proposal (1) must target low-income communities and populations to the maximum extent possible and detail how that will be accomplished; (2) may target feral cat populations if MDA determines that it

does not violate local law; (3) must facilitate and promote the provision of spay and neuter services for cats and dogs; and (4) may include public education and outreach components. MDA must evaluate a grant proposal in accordance with these standards and any additional standards it adopts via regulation. MDA must adopt regulations requiring grantees to report on how the grant was used, including specified information.

Spay/Neuter Advisory Board

The bill establishes a seven-member Spay/Neuter Advisory Board staffed by MDA. The board must advise MDA on (1) the administration of the fund; (2) the solicitation and evaluation of competitive grant proposals; (3) appropriate additional standards for grant proposals; (4) additional relevant data local animal shelters and animal control organizations should provide; (5) implementing regulations; and (6) other appropriate implementation matters. Board members may not receive compensation but are entitled to reimbursement for expenses under the standard State travel regulations, as provided in the State budget.

Reporting Requirements

Beginning January 1, 2014, animal control shelter programs operated by or contracted by local governments must submit a quarterly report to MDA providing, for the three previous months, (1) the number of cats and dogs taken in; (2) the number of cats and dogs disposed of; and (3) other data MDA requires.

By August 31, 2014, and annually thereafter, MDA must submit a report to the Governor and the General Assembly. MDA's annual report must describe the activities financed by the fund in the previous fiscal year, including (1) a description of all grant proposals selected for funding and grant programs implemented; (2) the number of spay and neuter surgeries performed under each grant proposal selected; (3) a description of and accounting for any public education and outreach efforts undertaken; and (4) a summary of the information reported by local animal control shelters and organizations.

Finally, by December 15, 2015, MDA must report to specified legislative committees on the fee revenue collected under the bill.

Current Law: Under the Maryland Commercial Feed Law, the Secretary of Agriculture must sample, inspect, test, and make analyses of commercial feed distributed in the State at any time and place and to the extent considered necessary to ensure compliance with the law. A distributor generally must register each brand name or product name of commercial feed before distributing it in the State, unless it has been registered by another person and the product label has not been altered or changed. The annual registration fee for each commercial feed distributed is \$50 and each registration expires

April 30 annually. Registration fee revenues must be used to defray partially the cost of administering the commercial feed program.

A “commercial feed” is a material which is distributed for use as feed or for mixing in feed for any animal, other than man, except (1) unmixed and unprocessed whole seeds or meal made directly from the entire seeds; (2) unground hay; or (3) whole or ground straw, stover, silage, cobs, and hulls not mixed with any other material.

Background:

Task Force on the Establishment of a Statewide Spay/Neuter Fund

The Task Force on the Establishment of a Statewide Spay/Neuter Fund was established in accordance with Chapter 266 of 2011 (SB 639) and extended by Chapters 273 and 274 of 2012 (SB 609/HB 936). The task force was charged with (1) collecting and reviewing data on the number of spay and neuter services performed each year in the State and the unmet need for the services; (2) reviewing ongoing successful local spay and neuter programs in the State; (3) reviewing spay and neuter programs in other states and identify best practices; (4) making recommendations on the most appropriate funding mechanism for a spay/neuter fund; and (5) making recommendations on the establishment of a fund.

In December 2012, the task force submitted a report with recommendations. The recommendations included:

- creating a surcharge of approximately \$100 annually on the pet food brand registration;
- establishing a competitive grant program;
- creating a statewide veterinarian reimbursement voucher program for low-cost spay and neuter surgeries and free rabies vaccine shots;
- establishing an spay/neuter advisory board; and
- requiring local government-operated or funded animal control shelters to submit annual animal intake and euthanasia data.

The bill implements some of the task force’s recommendations.

State Chemist

MDA’s State Chemist Section regulates the sale and distribution of animal feed products, pesticides, fertilizers, compost, soil conditioners, and agricultural liming materials. The State Chemist samples and chemically tests and analyzes commercial fertilizers, feeds,

pesticides, soil conditioners, composts, and liming materials sold in the State to determine if products conform to required standards.

State Revenues: MDA special fund revenues increase by \$517,500 in fiscal 2014 and by \$1.0 million in fiscal 2018 due to the establishment of the fee on each commercial dog and cat feed registered in the State. This estimate assumes that (1) the number of commercial dog and cat feed registrations remains level at 10,350; (2) the fee does not prompt a decrease in commercial feed registrations; and (3) the fee is collected in the spring when commercial feed registration fees are currently collected. This estimate does not include any additional revenue that may be paid into the fund from investment earnings or other funds. Thus, special fund revenues may increase further.

State Expenditures: General/special fund expenditures increase by \$517,500 in fiscal 2014, which accounts for the bill's October 1, 2013 effective date. It is assumed that the fee is not collected until April, and thus, general funds may be required during the October through April period to hire staff and establish the program. This estimate reflects the cost of hiring an administrator to, among other things, develop and implement the grant program, develop regulations, staff the advisory board, and coordinate reporting requirements. It includes a salary, fringe benefits, one-time start-up costs, travel, grants, and ongoing operating expenses.

Position	1
Grants	\$455,050
Salary and Fringe Benefits	51,914
Other Operating Expenses	<u>10,536</u>
Total FY 2014 State Expenditures	\$517,500

Future year expenditures reflect a full salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

This analysis assumes that annual expenditures correspond to annual special fund revenues.

Small Business Effect: Small veterinary businesses that provide spay and neuter services benefit to the extent the bill prompts more individuals to seek these services.

The bill has a negative impact on the approximately 506 businesses with registered dog or cat animal feeds in Maryland, many which are small businesses. MDA advises that when the full \$100 fee is instituted in fiscal 2016, the bill requires approximately half of the businesses to pay \$100 to \$700 annually in fees and the other half to pay \$800 to \$58,200 annually in fees.

Additional Information

Prior Introductions: None.

Cross File: SB 820 (Senator Benson, *et al.*) (Chair, Task Force on the Establishment of a Statewide Spay/Neuter Fund) - Education, Health, and Environmental Affairs.

Information Source(s): Kent, Montgomery, Washington, and Worcester counties; Baltimore City; Maryland Department of Agriculture; Department of Human Resources; Department of Health and Mental Hygiene; Maryland Energy Administration; Department of Legislative Services

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Analysis by: Amanda Mock

Direct Inquiries to:
(410) 946-5510
(301) 970-5510