

Department of Legislative Services
 Maryland General Assembly
 2024 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 85 (Delegate Lehman, *et al.*)
 Environment and Transportation

Department of Agriculture - Spay/Neuter Fund

This bill modifies provisions governing the Spay/Neuter Fund in order to (1) allow for voluntary donations to be made to the fund; (2) allow for additional uses of the fund; (3) require that additional consideration be given to specified competitive grant proposals; (4) add a reporting requirement applicable to recipients of grants awarded for the purpose of serving multiple jurisdictions; and (5) increase the fee on commercial dog and cat food (that is paid into the fund) over a three-year period. **The bill takes effect July 1, 2024.**

Fiscal Summary

State Effect: Special fund revenues increase by \$100,100 in FY 2025, by \$200,200 in FY 2026, and by \$300,400 annually thereafter due to the fee increase. Special fund expenditures increase correspondingly each year.

(in dollars)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
SF Revenue	\$100,100	\$200,200	\$300,400	\$300,400	\$300,400
SF Expenditure	\$100,100	\$200,200	\$300,400	\$300,400	\$300,400
Net Effect	\$0	\$0	\$0	\$0	\$0

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

Local Effect: Local government revenues and expenditures may increase annually, as discussed below.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary/Current Law:

Spay/Neuter Fund – Revenues, Uses, Priorities, and Reporting

The Spay/Neuter Fund, administered by the Maryland Department of Agriculture (MDA), was established in 2013 to reduce animal shelter overpopulation and cat and dog euthanasia rates by financing grants to local governments and animal welfare organizations for programs that most efficiently and effectively facilitate the provision of spay and neuter services for cats and dogs in the State.

Under current law, the fund receives revenues from a fee imposed on each registered brand name or product name of dog or cat food. The bill requires MDA to also establish a process through which a person may make a voluntary donation to the fund.

Under current law, the fund may be used to finance selected competitive grant proposals submitted by a local government or an animal welfare organization to facilitate and promote the provision of spay and neuter services for cats and dogs. The bill establishes that such financing may include financing the costs related to:

- routine vaccinations for cats and dogs at the time of a spay or neuter service;
- mobile veterinary clinic transportation; and
- transportation services to bring animals to a clinic from an unserved area.

Under current law and under the bill, MDA may use money in the fund to finance public education and outreach efforts for the competitive grant program and for the reasonable costs of administering the fund.

Under current law, MDA must evaluate a competitive grant proposal based on specified standards, including a requirement that a proposal target low-income communities and populations to the maximum extent possible and detail how that goal is to be accomplished. The bill adds a requirement that MDA give additional consideration to competitive grant proposals that will:

- provide eligible services through the use of a mobile veterinary clinic;
- serve multiple jurisdictions; or
- serve previously unserved areas.

Under current law, MDA is required to adopt regulations requiring a grant recipient to report relevant information on how the grant was used, including data on the number and

type of spay or neuter surgeries performed and a description of any public education and outreach implemented. The bill adds that if the grant was awarded for the purpose of serving multiple jurisdictions, the reported information must demonstrate that each of the jurisdictions was served in an equitable manner.

Fee Imposed on Dog and Cat Food

Under current law, the Secretary of Agriculture must establish a fee on each brand name or product name of commercial feed that is (1) prepared and distributed for consumption by a dog or cat and (2) registered in the State. Revenues from the fee are paid into the Spay/Neuter Fund.

Under current law, the fee is \$100. The bill establishes that, after September 30, 2024, the fee is \$130. The initial adjustment to the fee must be phased in over a period of three years, beginning October 1, 2024. However, the fee remains \$100 for pet food manufacturers who demonstrate to MDA that the manufacturer has a gross income from the distribution of pet food products of not more than \$500,000.

Under current law and under the bill, the fee is paid by the person registering the commercial feed in accordance with collection and reporting guidelines established by MDA by regulation.

State Fiscal Effect: Special fund revenues and expenditures increase by an estimated \$100,120 in fiscal 2025, by an estimated \$200,240 in fiscal 2026, and by an estimated \$300,360 annually thereafter, as shown in **Exhibit 1**, reflecting the phase-in of the increase in the fee on dog and cat food products and spending of those additional revenues. Special fund revenues and expenditures may increase further to the extent the fund receives voluntary donations; however, MDA indicates donations may be relatively minimal to the extent donors prefer to donate directly to local organizations providing spay/neuter services. This estimate assumes:

- 10,012 dog and cat food products are subject to the fee increase (based on information provided by MDA on the average number of registered products over the past five fiscal years);
- the number of registered products remains the same in future years; and
- special fund expenditures increase by the same amount as special fund revenues in order to support the bill's expanded uses of the fund while maintaining spending dedicated to facilitating and promoting the provision of spay and neuter services.

Under the bill, the fee for pet food manufacturers who demonstrate to MDA that they have a gross income from the distribution of pet food products of not more than \$500,000 remains unchanged (\$100). MDA advises that the gross income of pet food manufacturers

who register their products with MDA is unknown. Accordingly, the number of registered products that are *not* subject to the bill’s fee increase is unknown and has not been accounted for in this estimate. To the extent that fewer than 10,012 products are subject to the bill’s fee increase, the increase in special fund revenues and expenditures is lower.

Exhibit 1
Estimated Special Fund Revenue and Expenditure Increases

	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>
Fee amount (under current law)	\$100	\$100	\$100	\$100	\$100
Fee amount (under the bill)	110	120	130	130	130
Fee revenue (under current law)	1,001,200	1,001,200	1,001,200	1,001,200	1,001,200
Fee revenue (under the bill)	1,101,320	1,201,440	1,301,560	1,301,560	1,301,560
Special fund rev. increase	\$100,120	\$200,240	\$300,360	\$300,360	\$300,360
Special fund exp. increase	\$100,120	\$200,240	\$300,360	\$300,360	\$300,360

Source: Department of Legislative Services

Local Fiscal Effect: Local government revenues and expenditures may increase annually, potentially beginning as early as fiscal 2025, due to the receipt and spending of additional available grant funding resulting from the bill’s fee increase.

Small Business Effect: Small business dog and cat food manufacturers may be meaningfully affected by the bill’s fee increase to the extent any small business dog and cat food manufacturers have gross income from the distribution of pet food products of more than \$500,000. MDA indicates that the combined amount of the existing Spay/Neuter Fund fee and a separate registration fee paid for dog and cat food products can affect manufacturers’ decision whether to sell their products in the State.

Additional Comments: The Department of Legislative Services notes that the bill indicates that “the initial adjustment to the fee shall be phased in over a period of 3 years, beginning October 1, 2024.” However, it is unclear what is meant by “the initial adjustment” to the fee. For purposes of this analysis, it is assumed that the intent of the bill is to phase in the \$30 fee increase over a three-year period.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See SB 937 and HB 365 of 2023.

Designated Cross File: SB 641 (Senator Brooks) - Education, Energy, and the Environment.

Information Source(s): Kent, Montgomery, and Worcester counties; cities of Greenbelt, Hagerstown, and Laurel; towns of La Plata and Sykesville; Maryland Department of Agriculture; Department of Legislative Services

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km/lgc

Analysis by: Amberly E. Holcomb

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