

January 27, 2021

Maryland House of Delegates
Committee on Environment and Transportation
House Office Building, Room 251
6 Bladen Street
Annapolis, MD 21401

RE: Maryland House Bill 146 Department of Agriculture - Spay/Neuter Fund - Extension and Fee on Commercial Feed

Dear Chairman Barve, Vice Chairman Stein, and Members of the House Environment and Transportation Committee:

The Pet Food Institute (PFI) appreciates the opportunity to provide comments regarding House Bill 146 Department of Agriculture - Spay/Neuter Fund - Extension and Fee on Commercial Feed.

Established in 1958, PFI is the trade association and the voice of U.S. cat and dog food and treat manufacturers. Our members account for the vast majority of dog and cat food and treats made in the United States, and feed the 180 million pets in U.S. households. Our members operate under regulations issued by the U.S. Food and Drug Administration and enforced by both federal and state officials. This means dog and cat owners throughout the United States and around the world benefit from science-based regulation that provides the safest animal food supply available in the world.

PFI commends Maryland for the great success of the spay and neuter program at its current funding level. It is significant that Maryland can approve the majority of grant proposals, and support a decrease in both shelter intakes and animals euthanized, while still maintaining carryover in program funding year-to-year. We appreciate and support the effort to extend this program for the next decade.

However, PFI does not support a tax increase for three reasons:

1. **LACK OF INCREASED NEED:** Since the program's inception, euthanasia rates have been reduced by 55%. The number of overall intakes to animal shelters decreased by 1.3% from 2014 to 2018, and the number of stray animal intakes decreased by 12.1%. Additionally, from Fiscal Year (FY) 2015 to FY 2019 there was a relatively consistent number of grant applications requested to the Fund. With significantly reduced pet populations and a consistent number of grants requested, there is no indication of need for an increased tax or additional funds.
2. **FUND CARRYOVER:** From FY15-FY19, the Fund collected \$4.4 million from pet food manufacturers through 1,524 invoices. Over this same period, the Fund approved 98 grants amounting to \$3.6 million covering more than 57,000 procedures. Total collections were approximately 20% more than the total awarded grants, a difference of almost \$800,000 over the five-year period.

3. **ECONOMIC IMPACT ON PET FOOD MANUFACTURERS, MARYLAND PET PARENTS, AND THE MARYLAND PET RETAIL SECTOR:** Currently, cat and dog food and treat manufacturers pay \$100 per product for the Fund in Maryland, generating close to \$1 million per year in total funding for the program. Maryland has the highest pet food tax in the nation.

The tax is applied to every stock-keeping unit (SKU) or product label, which has significant implications on manufacturers. For every product you see on the shelf there are often multiple sized packages (5, 10, 15 and 50 lb. bags) as well as multiple formula variations (salmon, chicken, beef, lamb), each of which must pay the tax. This results in a single product paying at least \$1,600 in taxes. This is on top of the \$50 per product registration fee that pet food manufacturers pay to the State Chemist office to register each of their products.

If the tax were to increase, many manufacturers would decrease the options provided for sale in Maryland. This would result in less variety in product sizes and diet choices, impact households whose pets require unique diet formulations and customers purchasing unique sizes, and reduce consumer choice. Additionally, this will likely negatively impact sales in Maryland brick-and-mortar pet retail stores, who have already been negatively impacted by changes in customer buying habits due to COVID-19. Ultimately, this increased tax will negatively impact Maryland's economic growth.

PFI recognizes and agrees with the current program's intended goals of targeting low-income communities and populations, as well as targeting feral cat populations. However, the proposed tax increase will have tangible impacts on pet food manufacturers and pet parents. **We urge the committee to reject the unneeded tax increase, continuing with the current funding level of \$100 per product where the program has seen success.**

On behalf of PFI members, whose nearly 25,000 employees in 32 states provide safe food for the 180 million pets across the U.S., we thank you for the opportunity to share our views.

Sincerely,



Morgan Beach
Director of Public Affairs
Pet Food Institute