

February 15, 2023

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

RE: Maryland House Bill 365 – Department of Agriculture – Spay/Neuter Fund

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 [HB 365](#).

Established in 1958, PFI is the trade association for U.S. cat and dog food and treat manufacturers. Our members account for the vast majority of pet food and treats made in the United States, providing complete and balanced nutrition for the more than 186 million dogs and cats in U.S. households. As the voice of U.S. pet food makers for over 60 years, we advocate for a transparent, science-based regulatory environment for our members and provide information about pet food and treat safety, nutrition and health to pet owners.

PFI recognizes and agrees in principle with the intended goals of Maryland's Spay and Neuter Program, with a core focus on low-income communities and populations, and commends Maryland for the success of the program at its current funding level. HB 365 would expand the Spay and Neuter Program to include additionally financing costs related to wellness care 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 unserved areas.

While PFI would support expanding the program under HB 365, we cannot support an increase on the tax levied solely on pet food manufacturers. This measure would raise the annual cost of registering each product from the current spay and neuter fee of \$100 per product to an estimated \$127 per product over three years and annually adjust the fee thereafter. This first adjustment would amount to an estimated 27% tax increase – imposing a significant burden on pet food makers just to sell their products in Maryland. These fees ultimately have an impact on the prices of pet food products sold to Maryland pet owners, who also pay a 6% sales tax on products purchased in the state.

In growing the scope of services paid for by the program, PFI urges the committee to amend the bill to include alternative funding mechanisms rather than exclusively placing the full burden on pet food makers, who are already paying nearly \$1 million a year in spay and neuter fees to fund the program.

PFI supports the bill's inclusion of establishing a process for making voluntary donations to the Spay and Neuter Fund. We respectfully request that money be appropriated from the state budget to pay for expansion of the program, and ask that the bill be amended to take out the pet food spay and neuter fee increase and instead provide additional ways for Marylanders to contribute funds for the program. Many states provide funding for spay and neuter programs via fees collected from the purchase of specialty

“animal friendly” license plates as well as voluntary contributions made for spay and neuter programs via check-offs on state income tax returns.

Maryland already successfully uses such mechanisms for funding other important state programs. For example, Marylanders help restore the Chesapeake Bay and conserve endangered species by donating to the Chesapeake Bay and Endangered Species Fund on their tax forms. Additionally, the Chesapeake Bay Trust receives a portion of fees collected from the purchase of the Chesapeake Bay vehicle license plate. Similar funding mechanisms could be put in place to provide additional funds to the Maryland Spay and Neuter Program.

The last three years have been incredibly challenging. Coming out of the pandemic, every node in our supply chain has been impacted. Like other industries, PFI members are experiencing inflation, labor shortages and continued transportation and supply chain challenges, while also facing increased prices and scarcity of crucial ingredients such as meat proteins, fats and oils.

The current spay and neuter tax of \$100 applied to every stock-keeping unit (SKU) or product label has significant implications on manufacturers. For every product you see on the shelf, there are often multiple sized packages as well as multiple formula variations, 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 register each of their products. At an industry level, the taxes paid in Maryland are the highest in the nation and account for approximately 10% of pet food manufacturers’ cumulative budgets for all taxes and fees across the country – a significant share for a single state.

Increasing taxes would add another burden to U.S. pet food makers who are navigating major backlogs as they work to adequately source the quantity and quality of critical government-required ingredients to feed the pets in nearly 85 million U.S. households. Raising taxes on pet food manufacturers would decrease the options provided for sale in Maryland, resulting in less variety in product sizes and diet options and reducing consumer choice. Additionally, this will likely negatively impact sales in Maryland brick-and-mortar pet retail stores, who employ Maryland residents and who have already been negatively impacted by current economic factors, including supply limitations, supply chain congestion and inflation. Ultimately, this increased tax will negatively impact Maryland’s economic growth.

Instead, PFI respectfully requests that the committee seek appropriations funding from the state budget and amend the bill to include alternative funding mechanisms to fund the expansion of the program rather than increasing the burden on pet food makers by raising the spay and neuter fee.

On behalf of PFI members, whose nearly 30,000 employees in 33 states provide safe food for the 186 million pets across the U.S., we thank you for the opportunity to share our views. I would be happy to discuss this issue in more detail.

Sincerely,



Savonne Caughey
Senior Director of Advocacy and Government Relations
Pet Food Institute