

Department of Planning and Budget 2016 Fiscal Impact Statement

1. Bill Number: SB18

House of Origin Introduced Substitute Engrossed
 Second House In Committee Substitute Enrolled

2. Patron: Stanley

3. Committee: Agriculture, Conservation and Natural Resources

4. Title: Companion animal; surgical sterilization program.

5. Summary: The bill establishes the Companion Animal Surgical Sterilization Program and an associated special, non-reverting fund to reimburse participating veterinarians for the surgical sterilizations they perform on eligible cats or dogs. Eligible companion animals are those that : 1) belong to a low income owner; 2) are feral or free-roaming cats; or 3) are in the custody of an animal shelter, other releasing agency or nonprofit organization and have not been transferred from a jurisdiction outside Virginia into the Commonwealth.

The bill provides that a surcharge of \$5 per ton of pet food distributed in the Commonwealth be deposited in the fund and such pet food be exempted from the existing litter tax.

6. Budget Amendment Necessary: Yes, Item 90 of SB30.

7. Fiscal Impact Estimates: Preliminary, see item 8.

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2017	885,428	5	GF
2018	585,428	5	GF
2019	585,428	5	GF
2020	585,428	5	GF
2021	585,428	5	GF
2022	585,428	5	GF

7b. Revenue Impact: Preliminary, see item 8.

8. Fiscal Implications:

Expenditure Impact

This bill imposes an annual \$5 surcharge on every manufacturer, wholesaler, distributor, or retailer of pet food products in Virginia for each ton of pet food distributed, in order to fund the program and support the Companion Animal Surgical Sterilization Fund. In doing so, the bill exempts manufacturers, wholesalers, distributors or retailers of food for pet consumption from the litter tax, unless the party manufactures, wholesales, distributes, or retails any other products that trigger the imposition of the litter tax.

As specified in the bill, the fund shall be used solely for reimbursing the costs of surgical sterilizations of eligible animals and of pre-surgical examinations and vaccinations of companion animals eligible for surgical sterilization. As such, the bill does not allow for funding for administration of the program. The Virginia Department of Agriculture (VDACS) will require a general fund appropriation of \$885,428 the first year of implementation, and \$585,428 each fiscal year thereafter, to administer this program.

Based on costs of similar systems, the department anticipates that it will cost \$300,000 to develop and \$120,000 annually to maintain the computer systems that would be necessary to manage the Companion Animal Surgical Sterilization Fund and administer the program. The database system will need to be capable of collecting and analyzing fee schedules from private veterinarians and other sterilization providers, receiving applications from and determining the eligibility of low-income animal owners and caretakers, and tracking and verifying reimbursements to service providers. In addition, the system will require sophisticated modules for data security, monitoring, and auditing to ensure proper controls.

There are approximately 2,800 licensed veterinarians in Virginia who will be eligible to provide sterilization services. There are approximately 370 releasing agencies in Virginia eligible for participation in the no or low cost sterilizations and a large portion of Virginia's population are animal owners or caretakers who may be eligible to request assistance from the program. As such, VDACS estimates it will require five full-time positions (one manager, two coordinators, one fiscal technician, and one technology support position) to administer this program at a total cost of \$465,428 annually. A manager position will be required to provide direction to the program, fulfill the mandate that the department promote the program, provide education to the public on animal overpopulation issues, and serve as program auditor. One coordinator position will be required to screen companion animal owners and caretakers of feral or free-roaming cats, provide guidance and assistance to all persons utilizing and expressing interest in the program, and serve as a liaison with the Department of Social Services and Department of Health on screening criteria. A second coordinator position will be required to facilitate the collection of data from veterinary sterilization providers, evaluate fee schedules, and provide guidance and assistance to all persons utilizing or expressing interest in the program. Both coordinators will be required to verify providers and participants and ensure timely and appropriate reimbursements on a monthly basis. The fiscal technician will process and distribute payment from the fund to providers. The technology support position will oversee the development of the computer system and be responsible for managing ongoing maintenance.

The bill specifies that the department shall work cooperatively with other agencies of the Commonwealth, specifically the Department of Social Services and the Department of Health, to facilitate the screening procedures for determining eligibility of low-income owners. At this time, it is expected that the Department of Social Services and the Department of Health can absorb this additional duty within current resources; however, as the process has not yet been determined, the impact on these two agencies is preliminary.

The bill may have a fiscal impact on localities. The \$5 fee per ton on pet food may affect the costs of operations for local government owned and operated animal shelters.

Lastly, the bill establishes penalties for providing false information or submitting false payment requests. Specifically, the bill provides that falsifying income-eligibility or pet ownership information, and falsifying fees or rates charged for presurgical and surgical sterilizations and payment requests will result in a misdemeanor charge. Anyone convicted of a Class 1 misdemeanor is subject to a sentence of up to 12 months in jail. According to the Virginia Criminal Sentencing Commission, not enough information is available to reliably estimate how many additional inmates in jail could result from this proposal. Ultimately, the presiding judge will decide if there is to be any time served in jail; however, any increase in jail population will increase costs to the state. The Commonwealth presently pays the localities \$4.00 a day for each misdemeanor or otherwise local responsible prisoner held in a jail. It also funds the majority of the jails' operating costs, e.g. correctional officers. The state's share of these costs varies from locality to locality. According to the Compensation Board's most recent Jail Cost Report (November 2015), the estimated total state support for local jails averaged \$32.24 per inmate, per day in FY 2014.

Revenue Impact

The proposed surcharge in this bill is estimated to result in an annual increase in state revenue of \$2,520,000, which would be deposited into the Companion Animal Surgical Sterilization Program Fund. This estimate includes food for dogs, cats, birds, and horses. Given the minimal amount of food consumed annually, fish food is excluded from this estimate. Similarly, because the types of reptiles and small animals are so numerous and their diets so varied, it is difficult to provide an estimate on the average number of pounds of food consumed annually.

Removing food for pet consumption from the litter tax is estimated to reduce litter tax revenue by approximately \$20,000. Revenue generated from the litter tax is deposited into the Litter Control and Recycling Fund, used by the Department of Environmental Quality to support local government litter control and recycling programs. The impact of the decrease in the amount of funds available for grants and administrative costs is indeterminate. Because the list of products that triggers the litter tax is expansive, taxpayers may continue to be subject to the tax even if food consumed by pets is exempt of the tax. The Department of Taxation does not anticipate that this bill will have an impact on its administrative duties and resources.

Under the provisions of the proposed legislation, the pet food surcharges to be deposited to the Companion Animal Surgical Sterilization Fund will be collected by the Department of Taxation. The Department of Agriculture and Consumer Services will continue to collect commercial feed products tonnage fees (under the provisions of § 3.2-4800, Code of Virginia).

- 9. Specific Agency or Political Subdivisions Affected:** Department of Agriculture and Consumer Services; Department of Taxation; Department of Social Services; Department of Health; localities; Department of Environmental Quality; local court and jail systems.

10. Technical Amendment Necessary: Yes. On line 245, April 30, 2016 is referenced as the first date that VDACS is required to submit an annual report on the program. As this bill will not become effective until July 1, 2016, the date should be changed.

11. Other Comments: None.