

Department of Planning and Budget 2015 Fiscal Impact Statement

1. Bill Number: SB698

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; fund; penalty.

5. Summary: This 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 not owned by an individual, but are in the possession of an animal shelter, pound, other releasing agency or nonprofit organization and have not been transferred from a jurisdiction outside Virginia into the Commonwealth. The Department of Agriculture and Consumer Services is charged with administering the program

The bill provides that a surcharge of \$50 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. The bill establishes penalties for providing false information or submitting false payment requests.

6. Budget Amendment Necessary: Yes, to Item 87 of HB1400/SB800.

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

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2015	n/a	n/a	n/a
2016	606,074	4	General Fund
2017	346,074	4	General Fund
2018	346,074	4	General Fund
2019	346,074	4	General Fund
2020	346,074	4	General Fund
2021	346,074	4	General Fund

7b. Revenue Impact: Preliminary. See discussion in item 8.

8. Fiscal Implications:

Expenditure Impact

This bill imposes an annual \$50 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, money in the fund shall be used solely for paying the costs of surgical sterilizations of eligible animals and of presurgical examinations and vaccinations of companion animals eligible for surgical sterilization. As such, the bill does not provide funding for administration of the program. The Virginia Department of Agriculture requires a general fund appropriation of \$606,074 the first year of implementation and \$346,074 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 \$40,000 annually to maintain the computer systems that would be necessary to manage the fund and program. The database system would 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.

The department will require four full-time positions (one coordinator, one administrative support, one fiscal technician, and one technology support position) to administer this program at a total cost of \$306,074 annually. A coordinator position will be required to provide direction to the program and fulfill the mandate that the department promote the program and provide education to the public on animal overpopulation issues. An administrative support position will be required to facilitate the collection of data from sterilization providers and the public, provide guidance and assistance to all persons utilizing or expressing interest in the program, and ensure timely and appropriate reimbursements. The fiscal technician will process and distribute payment from the fund to providers. The technology support position would oversee the development of the computer system and be responsible for managing ongoing maintenance. There are approximately 2,800 licensed veterinarians in Virginia who will be eligible to provide sterilization services and a large percentage of Virginia's population is animal owners or caretakers that could be eligible to request assistance from the program. The department does not have existing personnel that can fulfill these functions or absorb this workload.

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.

Revenue Impact

According to the Department of Taxation, the proposed surcharge in this bill is estimated to result in an annual increase in state revenue of \$25.2 million, which would be deposited into

the Companion Animal Surgical Sterilization Program Fund. This estimate includes food for dogs, cats, birds, and horses. Under the provisions of the proposed legislation, the pet food surcharge applies only to “pet food products.” Because the tonnage of pet food products manufactured or distributed is unknown, 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).

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. Class 1 or Class 2 misdemeanors both carry possible jail sentences. For a Class 1 misdemeanor, the sentence can be up to 12 month with a fine up to \$2,500; a Class 2 misdemeanor can result in up to 6 months in jail and a fine up to \$1,000. Any misdemeanor below a Class 2 does not carry jail time, but is punishable by a fine. For a Class 3 misdemeanor, the fine can be up to \$500, while a Class 4 misdemeanor can result in a fine up to \$250. All revenue from criminal fines is required to be deposited to the Literary Fund.

Any increase in jail population will increase costs to the state. The Commonwealth presently pays the localities \$4.00 a day for each misdemeanant or otherwise local responsible prisoner held in a jail. It also funds a significant portion of the jails’ operating costs, e.g. correctional officers. The state’s share of these costs on a per prisoner, per day basis varies from locality to locality. However, according to the Compensation Board’s FY2013 Jail Cost Report (November 1, 2014), the estimated total state support for local and regional jails averaged \$30.54 per state inmate, per day in FY 2013. At this time, the impact that may result from this bill is indeterminate.

- 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: No.

11. Other Comments: None.