

Department of Legislative Services
 Maryland General Assembly
 2010 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 62 (Chair, Education, Health, and Environmental Affairs
 Committee)(By Request - Departmental - Agriculture)

Education, Health, and Environmental Affairs Environmental Matters

Maryland Horse Industry Fund - Fees

This departmental bill requires that all funds collected by the Maryland Horse Industry Board (MHIB) be paid into the Maryland Horse Industry Fund and increases inspection and license renewal fees charged by MHIB. The inspection and license renewal fees are increased by \$25 each, to \$50 and \$75, respectively. The bill also requires that the \$75 license fee must be paid upon application for a license in addition to being paid when renewing a license.

The bill takes effect July 1, 2010.

Fiscal Summary

State Effect: Special fund revenues and expenditures increase by \$72,900 annually, reflecting the increase in inspection and licensing fees and redirection of those funds to the Maryland Horse Industry Fund. General fund revenues decrease by \$43,700 annually, due to the redirection of fee revenues. General fund expenditures, assumed to be no longer needed for MHIB, decrease by \$63,100 annually; the FY 2011 budget contains a reduction of this entire amount contingent upon the enactment of this bill.

| (in dollars) | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
|----------------|------------|------------|------------|------------|------------|
| GF Revenue | (\$43,700) | (\$43,700) | (\$43,700) | (\$43,700) | (\$43,700) |
| SF Revenue | \$72,900 | \$72,900 | \$72,900 | \$72,900 | \$72,900 |
| GF Expenditure | (\$63,100) | (\$63,100) | (\$63,100) | (\$63,100) | (\$63,100) |
| SF Expenditure | \$72,900 | \$72,900 | \$72,900 | \$72,900 | \$72,900 |
| Net Effect | \$19,300 | \$19,300 | \$19,300 | \$19,300 | \$19,300 |

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

Local Effect: None.

Small Business Effect: The Maryland Department of Agriculture (MDA) has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment as discussed below.

Analysis

Current Law: The Maryland Horse Industry Fund is a continuing, revolving special fund. As of October 1, 2009, pursuant to Chapter 702 of 2009, any unspent or unencumbered balance in the fund at the end of a fiscal year does not revert to the general fund. The fund receives money from an assessment on equine feed of up to \$6 per ton and any funding made available to the fund by appropriation, gift, grant, or transfer. Other funds collected by MHIB, including inspection and license renewal fees, are paid into the general fund.

Horse riding stable licensees must pay an inspection fee of \$25 when applying for a license and annually thereafter. A license must be renewed each year and a \$50 renewal fee must be paid. If more than one inspection is necessary in a license period, due to deficiencies being found during a previous inspection, an additional inspection fee of \$25 must be paid for each inspection.

Background: MHIB has licensed and inspected horse stables in the State for more than 40 years. In addition, the board has a broad mission related to serving as an information resource about, supporting research on, and promoting the equine industry in Maryland.

MDA indicates that, in fiscal 2009, the general fund cost of the program was just under \$64,000, while only \$44,700 in general fund revenue was collected by the program. According to MDA, the bill will enable MHIB to maintain operations and reduce the general fund cost of the program. The fiscal 2011 budget contains a reduction of the entire general fund appropriation for MHIB (\$63,068), contingent on the enactment of this bill. MDA also indicates that approximately \$7,000 of special funding from the Maryland Horse Industry Fund that is being used along with general funds to cover the costs of the licensing and inspection program would be freed up to be used for other purposes as a result of this legislation. Further, MHIB currently utilizes staff (an administrative assistant) of the State Board of Veterinary Medical Examiners (SBVME); the bill will allow MHIB to reimburse SBVME for that assistance.

Exhibit 1 provides revenue and expenditure information for MHIB from fiscal 2007 through the fiscal 2011 budget. As shown in Exhibit 1, special fund revenues are expected to notably increase in fiscal 2010. This is due to the increased equine feed assessment; those funds are committed for various uses in fiscal 2010, including the first

installment of funding of a total of \$155,000 to be paid over three fiscal years for the 2010 Maryland Equine Census.

The licensing fee has been set at \$50 since 1992 and the inspection fee has been set at \$25 since 1976.

Exhibit 1
Fiscal History of the Maryland Horse Industry Board
Fiscal 2007-2011

| <u>General Fund</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010*</u> | <u>2011**</u> |
|--------------------------------------|--------------------|--------------------|--------------------|---------------------|----------------------|
| General Fund Expenditures | \$65,105 | \$79,329 | \$63,820 | \$61,268 | \$63,068 |
| License and Inspection Revenue | 39,675 | 39,375 | 44,700 | 44,700 | --- |
| Net General Fund | (\$25,430) | (\$39,954) | (\$19,120) | (\$16,568) | --- |
| <u>Special Fund</u> | | | | | |
| Commercial Equine Assessment Revenue | \$85,796 | \$78,426 | \$72,826 | \$182,206 | --- |
| Other Special Fund Revenue*** | 0 | 18,000 | 0 | 3,250 | --- |
| Special Fund Expenditures | 90,055 | 85,793 | 80,958 | 185,456 | \$206,176 |
| Net Special Fund | (\$4,259) | (\$10,633) | (\$8,132) | \$0 | --- |

* General fund expenditures reflect the fiscal 2010 legislative appropriation. General and special fund revenues are estimated based on fiscal 2009 revenues (the commercial equine assessment revenues reflect the increase in the assessment from \$2 to \$6 that took effect October 1, 2009). Special fund expenditures assume full use of available revenues.

** Fiscal 2011 appropriation included in the fiscal 2011 budget. The budget contains a reduction of the entire \$63,068 general fund appropriation, contingent on the enactment of this bill.

*** Consists of moneys made available to the Maryland Horse Industry Fund by general, federal, or special fund appropriations and moneys made available to the fund by gifts, grants, or transfers from any government or unit or instrumentality of a government or from any private-sector sources as per Agriculture Article § 2-708.2.

Note: The special fund deficits in fiscal 2007-2009 were reimbursed with revenues from the following fiscal year and are reflected in the following fiscal year's expenditures.

Source: Maryland Department of Agriculture, Maryland Horse Industry Board

State Fiscal Effect: Special fund revenues and expenditures each increase by \$72,875 annually, reflecting the redirection of inspection and licensing revenue from the general fund to the Maryland Horse Industry Fund and the increase in inspection and licensing fees. This assumes full use of the new special fund revenues for inspection and licensing activities or otherwise. Since money in the Maryland Horse Industry Fund does not

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revert to the general fund, any unused revenue in a fiscal year would be available for use in future years. General fund revenues decrease by \$43,725 annually, due to the redirection of inspection and licensing revenue to the special fund. General fund expenditures are also expected to decrease by \$63,068 annually, based on the contingent reduction of that amount in the fiscal 2011 budget and MDA's indication that general funds will no longer be needed for MHIB under the bill. Additional assumptions used in determining this estimate include:

- The number of licensees in fiscal 2009 (583) will not change in fiscal 2011 and future years.

The number of licensees has generally been increasing in recent years due to efforts to license existing unlicensed stables and possibly some growth in the industry. MHIB, however, expects the number of licensees to plateau and possibly decline slightly in the next several years regardless of a change in the licensing fee. Assuming the number of licensees does not change, \$43,725 in general fund revenue would be collected annually in the absence of the bill and \$72,875 in special fund revenue will be collected annually under the bill and its fee increases.

- The \$50 license renewal fee is currently paid by new licensees as well as by those renewing licenses.

Existing statute only appears to explicitly require the \$50 fee to be paid by those renewing licenses, though MHIB advises that it currently requires the \$50 license fee to be paid by new licensees as well.

- All horse riding stables will pay an inspection fee once each year.

MHIB indicates very few reinspections conducted require an additional fee payment.

- The general fund appropriations for MHIB would remain constant in the absence of the bill (at \$63,068 annually).

Small Business Effect: Given the relatively small increase in the annual fees paid by horse riding stables, Legislative Services concurs with MDA's determination that the bill will have minimal or no impact on small business. The Maryland Horse Council has indicated that the \$50 per year increase is unlikely to significantly impact the fiscal health of any licensed stable.

Additional Comments: In its 2004 sunset evaluation of MHIB, the Department of Legislative Services recommended that the board's license and inspection fees be increased.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Department of Agriculture, Department of Budget and Management, Department of Legislative Services

Fiscal Note History: First Reader - January 25, 2010
ncs/lgc Revised - Updated Budget Information - May 27, 2010

Analysis by: Scott D. Kennedy

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

ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Maryland Horse Industry Fund - Fees

BILL NUMBER: SB 62

PREPARED BY: Maryland Department of Agriculture

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The proposed legislation will have no impact on small business in Maryland.