

Department of Planning and Budget 2024 Session Fiscal Impact Statement

1. **Bill Number:** SB31

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 and Fund established.

5. **Summary:** Establishes the Companion Animal Surgical Sterilization Program and Fund to reimburse participating veterinarians for the surgical sterilizations they perform on eligible cats or dogs. 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. An animal will be eligible for sterilization under the Program if it is a feral or free-roaming cat or is owned by a low-income individual or a releasing agency such as an animal shelter.

6. **Budget Amendment Necessary:** Yes, Items 85, 258, and 260, SB30 (Introduced Budget Bill).

7. **Fiscal Impact Estimates:** Preliminary. See Item 8.

7a. Expenditure Impact:

VDACS (Item 85)

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2025	\$1,178,863	5	GF
2026	\$677,117	5	GF
2027	\$677,117	5	GF
2028	\$677,117	5	GF
2029	\$677,117	5	GF
2030	\$677,117	5	GF

TAX (Items 258 and 260)

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2025	\$277,220	0	GF

7b. Revenue Impact:

VDACS

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2025	\$9,800,000	NGF
2026	\$10,000,000	NGF
2027	\$10,200,000	NGF

2028	\$10,400,000	NGF
2029	\$10,600,000	NGF
2030	\$10,800,000	NGF

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 to fund the Companion Animal Surgical Sterilization Fund (Fund). 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. The bill does not allow for funding for administration of the program.

There are approximately 2,800 licensed veterinarians in Virginia who will be eligible to provide sterilization services. There are approximately 400 releasing agencies in Virginia eligible for participation in the no- or low-cost sterilizations, and a large amount of Virginia's population are animal owners or caretakers that could be eligible to request assistance from the program. The Virginia Department of Agriculture and Consumer Services (VDACS) would be responsible for implementing this program but does not have existing personnel that can fulfill these functions or absorb this workload. There may also be additional costs to manage the revenue from the \$50 surcharge.

VDACS estimates this bill will have a total expenditure impact on it of \$1.2 million the first year of implementation and \$677,117 each fiscal year thereafter to administer this program. Because the bill does not permit the use of the Fund as a source of payment for program administration, it is anticipated that general fund appropriation would be necessary.

Based on costs of similar systems, VDACS anticipates it will cost \$632,426 to develop and \$130,680 annually to maintain the computer systems that would be necessary to manage this Fund and program. The database system would need to be capable of collecting pet feed distribution and weight, as current systems do not track this information; 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.

VDACS anticipates that five full-time positions (one manager, two coordinators, one fiscal technician, and one technology support position) will be necessary to administer this program at a total cost of \$546,437 annually. A manager position will be required to provide direction to the program, fulfill the mandate that the department promote the program and provide education to the public on animal overpopulation issues, develop reports, and serve as fiscal 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 liaise 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 would oversee the development of the computer system and be responsible for managing ongoing maintenance.

The Department of Taxation anticipates incurring costs of \$277,220 in 2025 to update its systems to implement the proposed surcharge. This will require a general fund appropriation.

The bill may have an indeterminate fiscal impact on localities. The \$50 fee per ton on pet food may affect the costs of operations for local government owned and operated animal shelters.

This bill may have a fiscal impact on the Department of Social Services and the Virginia Department of Health. If these agencies are asked for informal consultation on screening procedures for low-income owner eligibility for the program, they may be able to absorb any costs within existing resources. If these agencies are asked to share data that may involve a longer-term commitment and/or information technology costs, the agencies may require additional resources. This fiscal impact statement will be updated as further information is gleaned.

Revenue Impact

The proposed surcharge in this bill is estimated by the Department of Taxation to result in an annual increase in state revenue of at least \$9.8 million beginning in 2025, which would be deposited into the Fund. This estimate includes food for dogs and cats and assumes a two percent annual increase in pet ownership across the Commonwealth.

Removing food for pet consumption from the litter tax is estimated to reduce litter tax revenue by approximately \$20,000 annually. Revenue generated from the litter tax is deposited into the Litter Control and Recycling Fund (LCRF), which is used by the Department of Environmental Quality (DEQ) to support local government litter control and recycling programs. All moneys deposited into the LCRF are expended according to an allocation formula set in statute. Ninety percent of funds is allocated for litter prevention and recycling grants to localities, five percent is allocated for public information, and five percent is allocated for DEQ's administrative expenses. The reduction of revenues into LCRF as a result of this bill is anticipated to proportionately impact funds available for these purposes. Based on an estimated impact of \$20,000, the potential reduction in grant funds is estimated at \$18,000, while allocations for public information campaigns and for administrative expenses are estimated to diminish by \$1,000 in each category. On average in the last five fiscal years, LCRF has maintained \$2.34 million in end-of-year balances.

Under the provisions of the proposed legislation, the pet food surcharges to be deposited to the 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: Virginia Department of Agriculture and Consumer Services, Department of Taxation, Department of Social Services, Department of Health, Department of Environmental Quality, localities

10. Technical Amendment Necessary: No.

11. Other Comments: None