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## FISCAL IMPACT REPORT

**SPONSOR** Candelaria **ORIGINAL DATE** 01/26/19  
**LAST UPDATED** 02/14/19 **HB** \_\_\_\_\_

**SHORT TITLE** Pet Food Fee for Neutering & Sheltering **SB** 367/aSPAC

**ANALYST** Hanika-Ortiz

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY19	FY20	FY21		
	\$30.0	\$45.0	Recurring	BVM
	\$24.0	\$36.0	Recurring	NMDA
	\$630.0	\$945.0	Recurring	Animal Care and Facility Fund

(Parenthesis ( ) Indicate Revenue Decreases)

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
	\$0	\$30.0	\$45.0	\$75.0	Recurring	BVM
	\$0	\$24.0	\$36.0	\$60.0	Recurring	NMDA
		(Indeterminate)	(Indeterminate)	(Indeterminate)	Recurring	Local Governments

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

### Responses Received From

Board of Veterinary Medicine (BVM)  
 New Mexico Department of Agriculture (NMDA)  
 New Mexico Attorney General (NMAG)  
 Regulation and Licensing Department (RLD)

## SUMMARY

### Synopsis of Amendment

The Senate Public Affairs Committee Amendment to Senate Bill 367 further clarifies that the groups referenced in the bill are nonprofit organizations.

### Synopsis of Original Bill

Senate Bill 367 creates a new spay and neuter program fee in the Commercial Feed Act to be collected by NMDA on each brand name of commercial feed distributed in New Mexico for pet consumption. The fee is \$50 starting January 1, 2020; \$75 starting January 1, 2021; and \$100 on and after January 1, 2022 and is collected at the same time as the two dollar registration fee under existing law. Prescription pet food prescribed by a veterinarian and pet food manufactured by a person whose tax-year gross revenue from distribution of that feed is no more than \$3 million are exempted from this fee. Fees collected will be credited to the spay and neuter subaccount of the existing animal care and facility fund, except for 4 percent that is distributed to NMDA.

After the distribution to NMDA, monies may also be used by the BVM to cover the reasonable costs of administering the Animal Sheltering Act, subject to a 5 percent cap. SB367 limits assistance provided for the spay and neuter program to those individuals and groups who provide assistance to recipients whose incomes do not exceed 200 percent of current federal poverty level guidelines.

Additionally, the BVM's annual report to the legislature must include information on the number of dogs and cats spayed and neutered and the average cost paid per surgery from the spay and neuter subaccount of the animal care and facility fund. In addition, NMDA will be required to include in its annual report the number of pet foods registered under the Commercial Feed Act.

Finally, the bill contains a delayed repeal date, repealing the fee effective July 1, 2025.

## FISCAL IMPLICATIONS

NMDA noted an increased workload to educate industry, enforce, collect and verify exemptions. In 2018, NMDA reported approximately 12,600 pet food/pet treat labels (out of 20,379 total commercial feed labels) registered with its office, as required by the Commercial Feed Act. Based on that number, it predicts \$1.4 million in annual revenues for the new program by 2022.

NMDA reports the bill will bring in revenues of approximately \$630 thousand in 2020, \$945 thousand in 2021, and \$1.4 million in 2022 from the new fee on pet foods. SB367 provides the department 4 percent to administer the collection of these fees. Since NMSU takes 5 percent for institutional support on all revenue at NMDA, the department will receive approximately \$24 thousand in 2020, \$36 thousand in 2021, and \$49 thousand in 2020 and subsequent years.

The revenue and operating budget impact tables reflect the portion of fees received and expended to administer the new program and distribute for covered services, which should reduce care and euthanasia costs of local animal shelters as a result of more widespread spay and neuter services.

**SIGNIFICANT ISSUES**

A 2012 study (SM 36, 2011 Regular Session) on a statewide spay and neuter program found the animal shelter board (which merged with BVM in 2018) lacked funding to address animal shelter overpopulation. The study reported in 2011, animal shelters and euthanasia agencies took in 118,000 cats and dogs and 55,000 were euthanized. This cost the state \$27 million annually at the time (the total budget for shelters and euthanasia agencies). Existing law authorizes a pet care special registration license plate and an income tax refund check-off for BVM's spay and neuter program, but neither source has provided sufficient monies to adequately fund that program.

The fee in this bill added onto the \$2 registration fee on pet foods under the commercial feed registration program run by NMDA was the one potential funding mechanism that stood out above the others, according to the 2012 study. It also concluded this type of fee: a) was equitable because pet owners, not the general public, would pay it; b) provided a steady and reliable revenue stream, and c) generated revenue for a spay/neuter assistance program for low-income households.

AHO/sb/gb