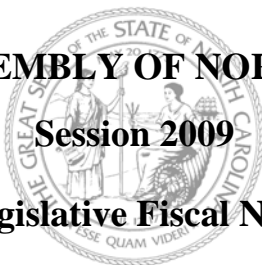


GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2009

Legislative Fiscal Note

BILL NUMBER: House Bill 208 (Second Edition)

SHORT TITLE: Spay/Neuter Program Transfer/Funds.

SPONSOR(S): Representatives Carney, Wray, Harrison, and Cotham

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2010-11</u>	<u>FY 2011-12</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>	<u>FY 2014-15</u>
REVENUES	** See Assumptions & Methodology for information by Agency **				
General Fund	\$0	\$0	\$0	\$0	\$0
Special Fund	\$22,460	\$24,930	\$27,480	\$30,125	\$32,862
EXPENDITURES					
General Fund	\$0	\$0	\$0	\$0	\$0
Special Fund	** See Assumptions & Methodology for information by Agency**				
POSITIONS (cumulative):					
Agriculture & Consumer Services	0.5	0.5	0.5	0.5	0.5
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:					
Department of Agriculture & Consumer Services (DACS)					
Division of Public Health (DPH), Department of Health & Human Services (DHHS)					
EFFECTIVE DATE: October 1, 2010					

BILL SUMMARY:

The second edition of House Bill 208 (HB 208) transfers the Spay/ Neuter portion of the existing Spay/ Neuter/ Rabies Program from the Division of Public Health (DPH) within the Department of Health and Human Services (DHHS) to the Department of Agriculture and Consumer Services (DACS). HB208 also changes the funding mechanism for the Spay/ Neuter and Rabies programs and authorizes DACS to use up to 20% of spay/ neuter funds for education and another 20% for program administration. HB 208 allows individuals with annual household income that is less than 300% of the federal poverty guideline to be eligible for low cost spay/ neuter programs. Table 1 provides federal poverty guidelines by family size. Under the current program, an

individual must qualify for at least one public assistance program administered by DHHS. To be eligible, HB 208 requires that each county make rules or publish guidelines to designate what evidence is required to prove eligibility.

Table 1: 2009 Federal Poverty Guidelines by Family Size
48 Contiguous States and the District of Columbia

Persons in Family	Poverty Guideline (100% of Poverty)	300% of Poverty
1	\$10,830	\$32,490
2	\$14,570	\$43,710
3	\$18,310	\$54,930
4	\$22,050	\$66,150
5	\$25,790	\$77,370
6	\$29,530	\$88,590
7	\$33,270	\$99,810
8*	\$37,010	\$111,030

* Add \$3,740 per person for families of more than 8 persons

Fifty percent of reimbursements for low-cost spay/ neuter is distributed to Tier 1 counties and 50% is distributed to Tier 2 and 3 counties. HB 208 directs DACS to develop rules to distribute funding within these categories. Presently, funding is distributed by proportion of rabies vaccinations in a given city or county relative to total vaccinations by all eligible applicants. In addition, unlike the existing program, DACS must provide guidance on the amount of funding available (and expected) for reimbursement to each city or county.

Lastly, Section 5(a) requires DACS to study the State's role in reducing the number of unwanted dogs and cats and ensuring the humane treatment of dogs and cats by breeders, shelters, and other facilities. This study must be conducted from funds available to the department; DACS must report the finding of this study on or before May 1, 2011.

ASSUMPTIONS AND METHODOLOGY:

HB 208 transfers the Spay/ Neuter program to DACS and leaves the Rabies program at DPH. Currently, the Spay/ Neuter/ Rabies program is completely funded by fees and under HB 208 the programs will remain receipt-supported. However, HB 208 will result in both new revenue and new operating costs for the Spay/ Neuter program at DACS; the source and amount of revenues for the Rabies program will change but expected operating expenses will not. Reimbursements costs will transfer from DPH to DACS.

Revenue

The Spay/ Neuter/ Rabies program is currently funded both by a fee on the sale of rabies vaccination tags and by the sale of Animal Lovers license plates. HB 208 changes the funding mechanism for these programs. The bill becomes effective October 1, 2010. Thus, revenues will continue to be collected at their current level for three months of FY 2010-11 and at the new rate for nine months of FY 2011-12. Table 2 provides actual rabies tag and license plate revenue for FY 2008-09 as well as an estimate of program revenues under HB 208.

Table 2: Spay/ Neuter Program Funding Mechanisms

	<u>Actual Revenue FY 2008-09</u>		<u>S1332 Proposed Funding</u>	
	Rabies	Spay/ Neuter	Rabies	Spay/ Neuter
Rabies Tag				
Per Item Revenue	\$0.05	\$0.20	\$0.15	\$0.00
Est. Tags Sold*	N/A	N/A	1,026,000	N/A
Rabies Tag Revenue	\$65,312	\$150,060	\$153,900	\$0
Animal Lovers License Plate				
Per Item Revenue	\$0.00	\$10.00	\$0.00	\$20.00
License Plates Sold	N/A	8,734	N/A	8,000
License Plate Revenue	\$0	\$87,340	\$0	\$160,000
<i>Total Program Revenue</i>	<i>\$65,312</i>	<i>\$237,400</i>	<i>\$153,900</i>	<i>\$160,000</i>
Total Revenue	\$302,712		\$313,900	

* DPH was unable to provide the actual number of tags sold. Revenue received does not tie exactly to number of tags due to budgeting discrepancies such as carry forwards.

Rabies Vaccination Tags

Currently, a 25 cent fee is applied to rabies vaccination tags sold by DHHS; of this, 5 cents goes to the Rabies program and 20 cents to Spay/ Neuter. In calendar year 2009, DHHS sold over 800,000 rabies tags for a total of just over \$219,000 in revenue -- \$43,500 for Rabies and \$175,500 for Spay/ Neuter. HB 208 eliminates the 20 cent spay/ neuter fee but increases the rabies fee to 15 cents per tag with all revenues dedicated to the Rabies Program. DHHS provided historical data on the revenue from rabies tags but was unable to provide the actual number of tags sold. Due to budgeting discrepancies such as carry forwards, revenue received do not tie exactly to actual number of tags sold. Based on the revenue data, Table 3 shows Fiscal Research Division's (FRD) estimate of the number of tags sold over the last three fiscal years.

Table 3: Approximate Number of Rabies Tags Sold by Fiscal Year

	FY 2006-07	FY 2007-08	FY 2008-09
Number of Rabies Tags Sold	1,056,960	1,044,830	816,400

DPH experienced a significant decline in the purchase of rabies tags due to the addition of the 20 cent spay/ neuter fee in FY 2008-09. Since both DPH and private companies sell rabies tags, sales are sensitive to price changes. HB 208 lowers the fee on DPH tags by 10 cents, and due to this lower fee, DPH believes that sales of their rabies tags will increase to close to FY 2007-08 levels. Accordingly, DPH recommended that FRD assume that they will sell 1,026,000 rabies tags and that number of rabies tags sold will remain constant over the next five years, resulting in annual revenue of \$153,900.

Animal Lovers License Plates

The Animal Lovers license plate costs \$20, with \$10 deposited in the Special Registration Plate Account and \$10 going to the Spay/ Neuter Account. In FY 2008-09, 8,734 license plates were sold for total revenue of \$87,340. HB 208 increases the cost of the license plate to \$30, allocating the additional \$10 per plate to the Spay/ Neuter Account. DACS estimates that demand for the special licenses plates will decrease slightly to 8,000 plates due to the price increase, resulting in an estimated \$160,000 for the Spay/ Neuter account.

Based on historical data showing strong demand for the Animal Lovers license plate (See Table 4), FRD maintains that the sale of Animal Lovers license plates will continue to increase over the next five years. To account for the increase in price, FRD agrees that fewer license plates will be sold in FY 2010-11 but that growth over the next five years will be 3.4% annually, which is the annual growth between December 2008 and 2009.

Table 4: Active Animal Lovers License Plates

	Dec 2005	Dec 2006	Dec 2007	Dec 2008	Dec 2009
Number of Animal Lovers Plates	5,240	6,054	7,235	8,159	8,435
Year over year growth		15.5%	19.5%	12.8%	3.4%

Under HB 208, total revenues dedicated to Spay/ Neuter and Rabies programs are expected to be closer to \$313,900 -- \$153,900 for Rabies and \$160,000 for Spay/ Neuter. Table 5 provides expected annual revenue by funding source under HB 208 and under current law.

Table 5: Expected Revenue by Funding Source

	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
Under HB 208					
Animal Lovers License Plates	8,000	8,272	8,553	8,844	9,145
Spay/ Neuter Program Revenue	\$160,000	\$165,440	\$171,060	\$176,880	\$182,900
Rabies Tags	1,026,000	1,026,000	1,026,000	1,026,000	1,026,000
Rabies Program Revenue	\$153,900	\$153,900	\$153,900	\$153,900	\$153,900
Total Both Programs	\$313,900	\$319,340	\$324,960	\$330,780	\$336,800
Current Law					
Animal Lovers License Plates	8,734	9,031	9,338	9,656	9,984
License Plate Revenue	\$87,340	\$90,310	\$93,380	\$96,555	\$99,838
Rabies Tags	816,400	816,400	816,400	816,400	816,400
Rabies Tags Revenue	\$204,100	\$204,100	\$204,100	\$204,100	\$204,100
Spay/Neuter/ Rabies Program	\$291,440	\$294,410	\$297,480	\$300,655	\$303,938

Operating Expenses

All operations of both the Spay/ Neuter and Rabies programs are receipt-supported and do not impact the General Fund. However, SB1332 will impact receipt-supported operations at DACS and DPH.

Division of Public Health, DHHS

The current Spay/ Neuter/ Rabies program includes educational efforts for spay/ neuter and rabies as well as the spay/ neuter reimbursement program. Eighty percent of one full-time equivalent (FTE) runs these programs. Program costs, not including reimbursements to cities and counties, are \$103,000 per year, leaving approximately \$199,000 for reimbursements annually. According to DPH, the majority of this FTE's time is spent on the Rabies portion of the Spay/ Neuter/ Rabies program. HB 208 does not transfer this position to DACS and Rabies program expenses are expected to remain constant. The position will be entirely dedicated to the Rabies Program. However, Spay/ Neuter funds partially pay for this position and Rabies program operations. To account for this loss of revenue, HB 208 increases the fee on rabies tags from 5 cents to 15 cents to cover Rabies operating expenses. DPH will no longer be responsible for the reimbursement of cities and counties. This expense will be eliminated from DPH and undertaken by DACS. Over the last four quarters, DPH spent \$172,751 in reimbursements.

Department of Agriculture and Consumer Services

HB 208 allows DACS to use 20% of spay/ neuter revenues for administration and 20% for education. At least 60% of revenues credited to the Spay/ Neuter Account must be used for reimbursement of cities and counties that provide low-cost spay/ neuter programs. In FY 2010-11 \$64,000 is expected to be available for administration and education and \$96,000 for reimbursements, assuming no other sources of revenue support the spay/ neuter program.

Reimbursements

DACS will distribute funds to cities and counties that have low-cost spay/ neuter programs for eligible residents. Approximately 28% of these funds were distributed to Tier 1, 22% to Tier 2 counties, and 49.5% to Tier 3 counties. Demand for the program is not expected to change significantly due to HB 208; the changes to the actual spay/ neuter program are minimal and should have little impact on local programs. DACS must develop rules for distributing funding among Tier 1 counties and among Tier 2 and 3 counties. This responsibility is within the scope of duties for existing staff within DACS and will not result in increased operating costs.

Education

According to DACS, currently, there is little outreach or education conducted regarding the Spay/ Neuter program. DACS would like to implement an educational campaign that both advertizes the license plate and increases awareness of the importance of spaying and neutering pets. Advertising the license tag should increase funds available for reimbursement. DACS indicates that they are consistently contacted by individuals and nonprofits asking why the Department does not "push" spay/neuter rather than euthanasia. The Department would like to develop a program that provides materials to these organizations assuming they meet certain criteria (such as having an education/ outreach plan and being able to provide follow-up information on outreach activities). DACS estimates that this materials and supplies for this education program would cost \$50,000 annually. HB 208 authorizes DACS to use up to 20% of spay/ neuter funds for education.

Given current revenue assumptions (\$160,000), DACS could spend at most \$32,000 on an education program.

DACS estimates that they will need one Administrative Officer 1, salary grade 67, to administer the Spay/ Neuter reimbursement and education program. The minimum salary for this pay grade is \$34,065. The current Spay/ Neuter/ Rabies program operates with 80% of one FTE. Therefore, FRD assumes that DACS could operate the Spay/ Neuter program with half of one FTE. Table 6 provides FRD’s expected personnel and operating costs to administer the Spay/ Neuter program. FRD has assumed that DACS will spend the maximum allowable, up to 20% each, on administration and on education.

Table 6: Spay/ Neuter Program Operating Expenses

	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 20-14-15
Personnel Expenses	\$19,236	\$23,994	\$25,835	\$27,433	\$28,650
<i># of FTE</i>	<i>0.5</i>	<i>0.5</i>	<i>0.5</i>	<i>0.5</i>	<i>0.5</i>
<i>Salary</i>	<i>\$14,194</i>	<i>\$18,436</i>	<i>\$20,277</i>	<i>\$21,875</i>	<i>\$23,092</i>
<i>Benefits</i>	<i>\$5,043</i>	<i>\$5,558</i>	<i>\$5,558</i>	<i>\$5,558</i>	<i>\$5,558</i>
Travel	\$13,700	\$9,700	\$9,700	\$9,700	\$9,700
Communications Equip	\$1,100	\$1,129	\$1,158	\$1,184	\$1,209
General Admin Supplies	\$700	\$600	\$616	\$629	\$642
Furniture, Computer, etc	\$1,500	\$0	\$0	\$0	\$1,648
Education Program	\$32,000	\$33,088	\$34,212	\$35,376	\$36,580
Total Operating Expenditures	\$63,194	\$62,953	\$65,963	\$68,765	\$72,871
Total Reimbursement Funds	\$96,806	\$102,487	\$105,097	\$108,115	\$110,029

SOURCES OF DATA:

Department of Agriculture and Consumer Services

Department of Health and Human Services

The 2009 HHS Poverty Guidelines, <http://aspe.hhs.gov/poverty/09poverty.shtml>

TECHNICAL CONSIDERATIONS:

1. HB 208 requires that each county make rules or publish guidelines to designate what evidence is required to prove eligibility. DACS notes that counties and cities are not required to submit these rules/ guidelines, which could make ensuring compliance with this requirement difficult.
2. Section 4.(b) amends G.S. 20-97.7(b); G.S. 20-97.7(b) does not exist. This section should amend G.S. 20-79.7(b).

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Lanier McRee

APPROVED BY: Marilyn Chism, Director
Fiscal Research Division

DATE: June 16, 2010



Signed Copy Located in the NCGA Principal Clerk's Offices