



# Ohio Legislative Service Commission

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## Fiscal Note & Local Impact Statement

**Bill:** H.B. 414 of the 128th G.A.      **Date:** January 27, 2010  
**Status:** As Introduced      **Sponsor:** Reps. Sayre and Bolon

**Local Impact Statement Procedure Required:** No — No local cost

**Contents:** Establishes requirements and responsibilities of the Ohio Livestock Care Standards Board

### State Fiscal Highlights

#### STATE FUND

#### FY 2010 – FUTURE YEARS

##### Commercial Feed and Seed Fund (Fund 4C90)

Revenues	Gain in inspection fee revenue
Expenditures	Increase of at least \$500,000 in transfers out to Fund 5HP0

##### Livestock Care Standards Fund (New Fund – Fund 5HP0)

Revenues	Gain of at least \$500,000 in transfers in from Fund 4C90 Potential gain in civil penalty revenues
Expenditures	Increase in board expenses of approximately \$500,000 per year

Note: The state fiscal year is July 1 through June 30. For example, FY 2010 is July 1, 2009 – June 30, 2010.

- The bill establishes the Livestock Care Standards Fund (designated as Fund 5HP0 in the state's accounting system) to pay all expenses related to the Livestock Care Standards Board. The fund will receive transfers of at least \$500,000 per year from the Commercial Feed and Seed Fund (Fund 4C90), as well as revenues from civil penalty assessments.
- The bill increases the feed inspection fees deposited into Fund 4C90 from 25 cents per ton to 40 cents per ton in three increments between the effective date of the bill and July 1, 2011, the beginning of FY 2012. This increase will be used to maintain the feed inspection program and support the annual cash transfers to Fund 5HP0.
- The bill also increases the minimum penalty for the late filing of a semiannual commercial feed tonnage report or payment of an inspection fee from \$50 to \$100. Overall, Fund 4C90 collected approximately \$13,000 in penalty revenue in FY 2009.

### Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

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## Detailed Fiscal Analysis

### Overview

Issue 2, a proposal to amend the Ohio Constitution to create the Ohio Livestock Care Standards Board, was approved by voters in November 2009. That amendment authorizes the General Assembly to enact laws deemed necessary to carry out the purposes of the amendment, the purpose of this bill. Specifically, the bill sets out the composition of the Board, specifies the duties of the Board as well as the Director of Agriculture in furtherance of livestock care, and creates a funding mechanism to pay all the expenses related to operations of the Board. The fiscal effects of the bill are described in further detail below.

### Livestock Care Standards Fund

The bill creates the Livestock Care Standards Fund (Fund 5HP0) as the source of operating income for the Livestock Care Standards Board. The chief source of funding will be transfers of not less than \$500,000 per year from the Commercial Feed and Seed Fund (Fund 4C90) used by the Department of Agriculture. Fund 4C90 receives a 25 cents per ton fee (\$25 per ton minimum) charged to fee dealers for feed inspections. According to the Department of Agriculture's Annual Report and Statistics, these fees amounted to \$1.2 million in revenue in FY 2009. To make sure sufficient funds are available to support ongoing feed inspections and support the annual cash transfers to Fund 5HP0, the bill increases the per ton semiannual inspection fee from 25 cents to 40 cents in three increments between the effective date of the bill and July 1, 2011, the beginning of FY 2012.

Fund 4C90 collected \$1.2 million in revenue in FY 2009 at the rate of \$.25 per ton. The Department of Agriculture's annual report for calendar year 2008, the latest report available, indicates that there were 1,849 commercial feed registrants that distributed approximately 4.8 million tons of feed in that year. Assuming a constant rate of tonnage in the future, every \$.05 incremental increase in the fee would yield an additional \$240,000 for deposit into Fund 4C90. The bill also increases the minimum penalty for the late filing of a semiannual commercial feed tonnage report or payment of an inspection fee from \$50 to \$100. In FY 2009, Fund 4C90 collected approximately \$13,000 in penalty revenue from various sources. In addition to transfers from Fund 4C90, the bill also permits the Board to levy civil penalties for any violations of any standards or guidelines it sets. Because no such standards are in place, and no definitive penalties have been established, it is difficult to quantify how much additional revenue this provision would yield.

## **Livestock Care Standards Board expenses**

The Livestock Care Standards Board will incur new costs for salaries, board member reimbursements, and service contracts related to the oversight of livestock care standards. Chief among the expenses for new personnel would be those for a new executive director who would manage the day-to-day operations of the Board. The cost of such a position, including salary and related benefits, is approximately \$100,000 per year. Beyond the executive director's role, the various divisions within the Department of Agriculture would provide additional technical and staffing support for the Board. The most likely divisions to be impacted by the bill are Food Safety, Dairy, Animal Industry, Consumer Analytical Lab, Meat Inspection, and Enforcement. In addition, the bill authorizes the Board and the Director of Agriculture to contract for surveying or data collection, as well as other tasks that the Board feels are necessary. Presumably, the Board would incur some new expenses for these activities.

The Livestock Care Standards Board under the bill consists of 13 members, with the Director of Agriculture serving as the chairperson of the Board. The Governor would appoint ten members, while the Speaker of the House of Representatives and President of the Senate each would appoint one member. The Board is required to meet three times a year. With the exception of the Director of Agriculture, assuming reimbursements of \$200 per member per meeting, compensation costs would be approximately \$7,200 per year.