



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: H.B. 573 of the 131st G.A.

Date: May 26, 2016

Status: As Introduced

Sponsor: Rep. Scherer

Local Impact Statement Procedure Required: No

Contents: Requires the Department of Agriculture to license and regulate pet stores

State Fiscal Highlights

- **Pet store licensing.** The bill requires the Department of Agriculture (AGR) to license and regulate pet stores. One initial estimate is that this will increase payroll costs by \$800,000 annually to cover an additional eight employees assigned to this program.
- **Pet Store License Fund.** The bill creates the Pet Store License Fund which will receive money from the license fee and civil penalties. The annual license fee is \$500. This will at least partially offset the increased payroll costs. According to an April 2016 industry report published by IBISWorld, Ohio was estimated to have around 530 pet stores. Based on information from the Department of Taxation, AGR estimates that there are currently between 300 and 500 pet stores in Ohio.
- **High Volume Breeder Kennel Control License Fund.** The bill eliminates the requirements that money may only be released from the High Volume Breeder Kennel Control License Fund (Fund 5MR0) with Controlling Board approval and that the Director of AGR request the release of not more than \$2.5 million per biennium. This will remove the cap on expenditures from Fund 5MR0 and provide additional flexibility to fund the Commercial Dog Breeders Program.

Local Fiscal Highlights

- **Court costs.** The number of civil cases filed in county and municipal courts may minimally increase as a result of the bill's provisions. If so, this would increase administrative costs for these courts, although these expenses would be offset by the court costs and filing fees collected from additional cases.

Detailed Fiscal Analysis

Overview

The bill requires the Department of Agriculture (AGR) to regulate pet stores statewide. As part of this requirement, the bill identifies the sources from which stores may obtain dogs for sale. These sources are: (1) animal rescues for dogs, (2) animal shelters for dogs, (3) humane societies, (4) dog retailers, and (5) qualified breeders. Additionally, the bill sets certain conditions for pet stores when selling, delivering, bartering, auctioning, brokering, giving away, or transferring dogs. This will involve additional regulatory costs, not the least of which is hiring additional personnel to run the pet store licensing program. The bill also eliminates some requirements for the High Volume Breeder Kennel Control Fund. The fiscal effects of the bill's provisions are described in further detail below.

Licensing expenditures and revenues

AGR will incur new regulatory costs to operate the pet store licensing program. A preliminary estimate provided by AGR is that the Department may need to hire eight employees to enforce the bill's requirements. The needed staff would include two administrative and six field employees at an annual cost of approximately \$800,000. However, this additional payroll expense and other program costs will at least be partially offset by license fee revenue. The license fee is \$500 and is to be paid annually. License fee revenue will be deposited into the Pet Store License Fund which the bill creates.

Much of the cost of the new pet store regulatory program will depend on the number of pet stores operating in the state. According to an April 2016 industry report published by IBISWorld, a forecasting and market analytics firm, there were 13,730 pet stores across the states in 2012. Ohio was estimated to have 3.9% of this number, which comes to around 530 pet stores. Based on information from the Department of Taxation, AGR estimates that there are currently between 300 and 500 pet stores in Ohio. Given the estimated number of pet stores, licensing fee revenue could range from \$150,000 to \$265,000 each year.

Penalties for noncompliance

The bill allows AGR to impose civil fines on owners, managers, or employees of a pet store if they violate the bill's requirements when displaying, selling, delivering, bartering, auctioning, brokering, giving away, or transferring dogs. The civil penalties include up to \$500 for a first violation, up to \$2,500 for a second violation, and up to \$10,000 for a third or subsequent violation. These civil penalties are to be deposited into the Pet Store License Fund. A failure to comply with these requirements is also classified as a criminal penalty, specifically a misdemeanor of the fourth degree that carries a maximum fine of \$250 and up to 30 days in jail. Court cost and fine revenue

would offset some of any additional expense created for local criminal courts to adjudicate these matters when they occur. For any new misdemeanor cases, the state receives court costs totaling \$29. Of that amount, \$20 is deposited into the Indigent Defense Support Fund (Fund 5DY0) and \$9 is deposited into the Victims of Crime/Reparations Fund (Fund 4020).

High Volume Breeder Kennel Control License Fund

The Commercial Dog Breeders Program under AGR requires the license and inspection of high volume dog breeders. The program is funded by the GRF and annual fees that are paid by high volume breeders and dog retailers and deposited into the High Volume Breeder Kennel Control License Fund (Fund 5MR0). Under current law, money may only be released from Fund 5MR0 with Controlling Board approval and with a limit of not more than \$2.5 million per biennium. The bill eliminates both of these requirements, thus removing the cap on expenditures from Fund 5MR0. This also provides additional flexibility to fund the Commercial Dog Breeders Program. Fund 5MR0 revenue was approximately \$206,000 in FY 2015.