

HF3584 - 0 - Companion Animal Board Established

Chief Author: **John Lesch**
 Committee: **Agriculture and Food Finance & Policy Division**
 Date Completed: **6/12/2020 5:42:34 PM**
 Lead Agency: **Animal Health Board**
 Other Agencies:
 Companion Animal Board

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings	X	
Tax Revenue		X
Information Technology	X	
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings) Dollars in Thousands	Biennium			Biennium	
	FY2019	FY2020	FY2021	FY2022	FY2023
Animal Health Board					
General Fund	-	-	(60)	(92)	(92)
Restrict Misc. Special Revenue	-	-	-	-	-
Companion Animal Board					
General Fund	-	-	727	625	524
Restrict Misc. Special Revenue	-	-	-	-	-
State Total					
General Fund	-	-	667	533	432
Restrict Misc. Special Revenue	-	-	-	-	-
Total	-	-	667	533	432
Biennial Total			667		965

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2019	FY2020	FY2021	FY2022	FY2023
Animal Health Board					
General Fund	-	-	(1)	(1)	(1)
Restrict Misc. Special Revenue	-	-	-	-	-
Companion Animal Board					
General Fund	-	-	3.7	3.7	3.7
Restrict Misc. Special Revenue	-	-	-	-	-
Total	-	-	2.7	2.7	2.7

Lead LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Jim Carlson **Date:** 6/12/2020 5:42:34 PM
Phone: 651-284-6540 **Email:** jim.carlson@lbo.leg.mn

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2	Biennium			Biennium	
Dollars in Thousands	FY2019	FY2020	FY2021	FY2022	FY2023
Animal Health Board					
General Fund	-	-	(60)	(92)	(92)
Restrict Misc. Special Revenue	-	-	-	-	-
Companion Animal Board					
General Fund	-	-	727	625	524
Restrict Misc. Special Revenue	-	-	-	-	-
Total	-	-	667	533	432
Biennial Total			667		965
1 - Expenditures, Absorbed Costs*, Transfers Out*					
Animal Health Board					
General Fund	-	-	(60)	(92)	(92)
Restrict Misc. Special Revenue	-	-	(30)	(30)	(30)
Companion Animal Board					
General Fund	-	-	727	625	524
Restrict Misc. Special Revenue	-	-	30	30	30
Total	-	-	667	533	432
Biennial Total			667		965
2 - Revenues, Transfers In*					
Animal Health Board					
General Fund	-	-	-	-	-
Restrict Misc. Special Revenue	-	-	(30)	(30)	(30)
Companion Animal Board					
General Fund	-	-	-	-	-
Restrict Misc. Special Revenue	-	-	30	30	30
Total	-	-	-	-	-
Biennial Total			-		-

HF3584 - 0 - Companion Animal Board Established

Chief Author: **John Lesch**
 Committee: **Agriculture and Food Finance & Policy Division**
 Date Completed: **6/12/2020 5:42:34 PM**
 Agency: **Animal Health Board**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings	X	
Tax Revenue		X
Information Technology	X	
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium	
	Dollars in Thousands	FY2019	FY2020	FY2021	FY2022
General Fund	-	-	(60)	(92)	(92)
Restrict Misc. Special Revenue	-	-	-	-	-
Total	-	-	(60)	(92)	(92)
Biennial Total			(60)		(184)

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2019	FY2020	FY2021	FY2022	FY2023
General Fund	-	-	(1)	(1)	(1)
Restrict Misc. Special Revenue	-	-	-	-	-
Total	-	-	(1)	(1)	(1)

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Jim Carlson **Date:** 6/12/2020 5:08:51 PM
Phone: 651-284-6540 **Email:** jim.carlson@lbo.leg.mn

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2019	FY2020	FY2021	FY2022	FY2023
General Fund	-	-	(60)	(92)	(92)	
Restrict Misc. Special Revenue	-	-	-	-	-	
Total	-	-	(60)	(92)	(92)	
	Biennial Total		(60)		(184)	
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	-	(60)	(92)	(92)	
Restrict Misc. Special Revenue	-	-	(30)	(30)	(30)	
Total	-	-	(90)	(122)	(122)	
	Biennial Total		(90)		(244)	
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	
Restrict Misc. Special Revenue	-	-	(30)	(30)	(30)	
Total	-	-	(30)	(30)	(30)	
	Biennial Total		(30)		(60)	

Bill Description

Establishes the Minnesota Companion Animal Board. Transfers the regulatory duties of commercial dog and cat breeders and licensed kennels from the Minnesota Board of Animal Health (BAH) to the newly created Minnesota Companion Animal Board.

Assumptions

The Minnesota Companion Animal Board will take control of BAH’s Commercial Dog and Cat Breeder Program and its Kennel Licensing Program. BAH will retain the FTEs from the Commercial Dog and Cat Breeder Program as well as the Kennel Licensing Program in order to perform other BAH duties. Currently, field duties for BAH’s Commercial Dog and Cat Breeder Program and BAH’s Kennel Licensing program are provided by a combination of Veterinarians, Agricultural Specialists and Administrative staff from BAH’s St. Paul office. The proposed bill for the formation of a Minnesota Companion Animal Board requires that BAH “provide a copy of each new certificate of veterinary inspection for companion animals to the Companion Animal Board and provide the Companion Animal Board with access to any documentation or record-keeping collected and maintained by the BAH relating to companion animals.” With deference to Minnesota’s laws concerning private/non-public data, this would require BAH to begin tracking and identifying individual animals as either companion animals or livestock, and to contract with Minnesota Information Technology Services (MN.IT) to develop an effective way to share specific data with the Companion Animal Board without compromising private/non-public data collected by BAH and maintained in BAH’s database system. This IT project will utilize MNIT resources for completion of the deliverables. MNIT, in consultation with the business unit (BAH), will lead the analysis from its inception through completion.

With the formation of the Companion Animal Board, BAH would still retain multiple responsibilities related to the health of companion animals in the state. The proposed bill defines companion animal as “any animal owned, possessed by, cared for, or controlled by a person for the present or future enjoyment of that person or another as a pet or companion, or any stray pet or stray companion animal.” This definition could include a wide array of species including livestock (which includes horses), dogs and cats. BAH has and will continue to have statutory responsibility to regulate the importation of all domestic animals into the state, and to regulate reportable animal diseases. BAH would continue to partner with other state agencies like the Minnesota Department of Health and the Minnesota Department of Agriculture to monitor and respond to reportable diseases in the state. BAH’s regulatory responsibility would therefore extend to persons/entities licensed under the Commercial Dog and Cat Breeder and Kennel Licensing Programs.

Although this Bill awards “primary authority” to the Companion Animal Board for regulation of companion animals, its formation would not relieve BAH from performing its regulatory duties supporting the health of companion animals in the state of Minnesota, which is intrinsically linked to their welfare.

BAH would retain responsibility for preventing the introduction and spread of disease, and would continue to work with commercial breeders, kennels, veterinarians and anyone involved in the Minnesota companion animal industry, as well as those transporting companion animals into the state. In addition, BAH would have the added responsibility of providing expertise and documentation to the Companion Animal Board without additional funding.

The same BAH staff who inspect and regulate commercial breeders and kennels are needed for emergency disease response and disease control activities. The work performed by BAH staff in support of the Commercial Dog and Cat Breeder and Licensed Kennel Programs is often intricately tied to protecting the health of all of Minnesota’s domestic animals including livestock and human communities as most diseases are not species specific and a large number of diseases are zoonotic.

BAH assumes it will need to retain 2.7 FTEs to continue providing regulatory services for all animals, including companion animals. Diverting funding and resources from BAH will decrease BAH's ability to prepare for and respond to animal disease outbreaks, many of which have a direct effect on companion animals and human communities within the state. The mission of BAH is varied and dependent upon multiple unpredictable factors, such as the introduction of animal diseases that, if not controlled or eradicated, could have detrimental consequences for all domestic animals of the state.

Under the proposed legislation, the Companion Animal Board is authorized to make “rules necessary to carry out the powers, duties, and responsibilities given to the board.” BAH estimates the rulemaking process for the Companion Animal Board would entail expenses associated with a major rulemaking which is expected to take 1.5 years.

As a new board with no preexisting rules, the board would be drafting, not editing, multiple proposed rules. This means a significant time investment by its program and rules staff to draft new rules language. Even if the Companion Animal Board were to draft rule language that paralleled language in BAH’s existing companion animal legislation, BAH’s Kennel Program rules would need to be tailored to the Companion Animal Board’s legislative authority; BAH does not have rules related to its Commercial Dog and Cat Breeder Program; and BAH has no precedent for some of the Companion Animal Board’s proposed legislation (for example, “the collection, analysis, and dissemination of quantitative and qualitative data as it relates to companion animals in Minnesota”). Unless the Chief Administrative Law Judge grants an agency permission to do otherwise, the default requirement is for an agency to publish the full text of its proposed rules in the State Register. For a new board simultaneously proposing several new rules, the full text of the proposed rules would encompass multiple pages and therefore higher publishing costs.

Based on BAH’s last major rulemaking in 2012-13, as well as BAH’s experience with rulemaking related to companion animals specifically, the Companion Animal Board’s rulemaking process would (1) incur Advisory Committee costs and outstate meetings expenses during the rules development process; and (2) require a hearing. The process for adopting rules with a hearing entails increased time investment (hourly fees) by both the Office of the Attorney General and the Administrative Law Judge to attend the hearing, as well as court reporter/transcript costs. In addition, given how high profile companion animal legislation can be; the fact that the definition of “companion animal” does not exclude livestock; and the fact that the proposed rules may be deemed to affect farming operations (triggering a requirement to hold a hearing in an agricultural area); the Companion Animal Board would likely need to hold more than one hearing at multiple locations, resulting in the preceding costs multiplied by the number of hearings held.

Expenditure and/or Revenue Formula

The costs to be incurred by the Board of Animal Health of developing the IT system is projected as follows:

- Data Analysis, Meeting with Stakeholders and Project Development Planning: 170 hours
- Web Based Platform Development: 170 hours
- Project Management: 65 hours

Total IT expenses: \$32,4000

Amount of annual salaries and benefits along with other personnel related expenses transferred from the Board of Animal Health to the Minnesota Companion Animal Board;

Position	Salary and	Vehicle Expense	IT Expenses	Cell Phones and Mi-	Total Expenses
----------	------------	-----------------	-------------	---------------------	----------------

	Benefits			Fi Expenses	
SPA Int. 1.0 FTE	80,303.00	600.00	11,064.00	-	91,967.00

BAH's annual revenue would decrease by \$30,000, based on average annual receipts of Commercial Dog and Cat Breeder and Licensed Kennel fees and penalties. The Companion Animal Board would collect this \$30,000 annually.

Long-Term Fiscal Considerations

N.A.

Local Fiscal Impact

N.A.

References/Sources

Amending Minnesota Statutes 2018, sections 35.02, subdivision 1; 35.03 Proposing coding for new law in Minnesota Statutes, chapter 347.

Agency Contact: Dr. Linda Glaser

Agency Fiscal Note Coordinator Signature: Marita Bliven

Phone: 651-201-6837

Date: 6/12/2020 4:39:27 PM

Email: marita.bliven@state.mn.us

HF3584 - 0 - Companion Animal Board Established

Chief Author: **John Lesch**
 Committee: **Agriculture and Food Finance & Policy Division**
 Date Completed: **6/12/2020 5:42:34 PM**
 Agency: **Companion Animal Board**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings	X	
Tax Revenue		X
Information Technology	X	
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings) Dollars in Thousands	Biennium			Biennium	
	FY2019	FY2020	FY2021	FY2022	FY2023
General Fund	-	-	727	625	524
Restrict Misc. Special Revenue	-	-	-	-	-
Total	-	-	727	625	524
Biennial Total			727		1,149

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2019	FY2020	FY2021	FY2022	FY2023
General Fund	-	-	3.7	3.7	3.7
Restrict Misc. Special Revenue	-	-	-	-	-
Total	-	-	3.7	3.7	3.7

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Jim Carlson **Date:** 6/12/2020 5:42:05 PM
Phone: 651-284-6540 **Email:** jim.carlson@lbo.leg.mn

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2019	FY2020	FY2021	FY2022	FY2023
General Fund	-	-	-	727	625	524
Restrict Misc. Special Revenue	-	-	-	-	-	-
Total	-	-	-	727	625	524
Biennial Total				727		1,149
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	-	-	727	625	524
Restrict Misc. Special Revenue	-	-	-	30	30	30
Total	-	-	-	757	655	554
Biennial Total				757		1,209
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	-
Restrict Misc. Special Revenue	-	-	-	30	30	30
Total	-	-	-	30	30	30
Biennial Total				30		60

Bill Description

Establishes the Minnesota Companion Animal Board. Transfers the regulatory duties of commercial dog and cat breeders and licensed kennels from the Minnesota Board of Animal Health (BAH) to the newly created Minnesota Companion Animal Board.

Assumptions

The Minnesota Companion Animal Board will take control of BAH's Commercial Dog and Cat Breeder Program and its Kennel Licensing Program. BAH will retain the FTEs from the Commercial Dog and Cat Breeder Program as well as the Kennel Licensing Program in order to perform other BAH duties. Currently, field duties for BAH's Commercial Dog and Cat Breeder Program and BAH's Kennel Licensing program are provided by a combination of Veterinarians, Agricultural Specialists and Administrative staff from BAH's St. Paul office. The proposed bill for the formation of a Minnesota Companion Animal Board requires that BAH "provide a copy of each new certificate of veterinary inspection for companion animals to the Companion Animal Board and provide the Companion Animal Board with access to any documentation or record-keeping collected and maintained by the BAH relating to companion animals." With deference to Minnesota's laws concerning private/non-public data, this would require BAH to begin tracking and identifying individual animals as either companion animals or livestock, and to contract with Minnesota Information Technology Services (MN.IT) to develop an effective way to share specific data with the Companion Animal Board without compromising private/non-public data collected by BAH and maintained in BAH's database system. This IT project will utilize MNIT resources for completion of the deliverables. MNIT, in consultation with the business unit (BAH), will lead the analysis from its inception through completion.

With the formation of the Companion Animal Board, BAH would still retain multiple responsibilities related to the health of companion animals in the state. The proposed bill defines companion animal as "any animal owned, possessed by, cared for, or controlled by a person for the present or future enjoyment of that person or another as a pet or companion, or any stray pet or stray companion animal." This definition could include a wide array of species including livestock (which includes horses), dogs and cats. BAH has and will continue to have statutory responsibility to regulate the importation of all domestic animals into the state, and to regulate reportable animal diseases. BAH would continue to partner with other state agencies like the Minnesota Department of Health and the Minnesota Department of Agriculture to monitor and respond to reportable diseases in the state. BAH's regulatory responsibility would therefore extend to persons/entities licensed under the Commercial Dog and Cat Breeder and Kennel Licensing Programs.

Although this Bill awards “primary authority” to the Companion Animal Board for regulation of companion animals, its formation would not relieve BAH from performing its regulatory duties supporting the health of companion animals in the state of Minnesota, which is intrinsically linked to their welfare.

BAH would retain responsibility for preventing the introduction and spread of disease, and would continue to work with commercial breeders, kennels, veterinarians and anyone involved in the Minnesota companion animal industry, as well as those transporting companion animals into the state. In addition, BAH would have the added responsibility of providing expertise and documentation to the Companion Animal Board without additional funding.

The same BAH staff who inspect and regulate commercial breeders and kennels are needed for emergency disease response and disease control activities. The work performed by BAH staff in support of the Commercial Dog and Cat Breeder and Licensed Kennel Programs is often intricately tied to protecting the health of all of Minnesota’s domestic animals including livestock and human communities as most diseases are not species specific and a large number of diseases are zoonotic.

BAH assumes it will need to retain 2.7 FTEs to continue providing regulatory services for all animals, including companion animals. Diverting funding and resources from BAH will decrease BAH's ability to prepare for and respond to animal disease outbreaks, many of which have a direct effect on companion animals and human communities within the state. The mission of BAH is varied and dependent upon multiple unpredictable factors, such as the introduction of animal diseases that, if not controlled or eradicated, could have detrimental consequences for all domestic animals of the state.

Under the proposed legislation, the Companion Animal Board is authorized to make “rules necessary to carry out the powers, duties, and responsibilities given to the board.” BAH estimates the rulemaking process for the Companion Animal Board would entail expenses associated with a major rulemaking which is expected to take 1.5 years.

As a new board with no preexisting rules, the board would be drafting, not editing, multiple proposed rules. This means a significant time investment by its program and rules staff to draft new rules language. Even if the Companion Animal Board were to draft rule language that paralleled language in BAH’s existing companion animal legislation, BAH’s Kennel Program rules would need to be tailored to the Companion Animal Board’s legislative authority; BAH does not have rules related to its Commercial Dog and Cat Breeder Program; and BAH has no precedent for some of the Companion Animal Board’s proposed legislation (for example, “the collection, analysis, and dissemination of quantitative and qualitative data as it relates to companion animals in Minnesota”). Unless the Chief Administrative Law Judge grants an agency permission to do otherwise, the default requirement is for an agency to publish the full text of its proposed rules in the State Register. For a new board simultaneously proposing several new rules, the full text of the proposed rules would encompass multiple pages and therefore higher publishing costs.

Based on BAH’s last major rulemaking in 2012-13, as well as BAH’s experience with rulemaking related to companion animals specifically, the Companion Animal Board’s rulemaking process would (1) incur Advisory Committee costs and outstate meetings expenses during the rules development process; and (2) require a hearing. The process for adopting rules with a hearing entails increased time investment (hourly fees) by both the Office of the Attorney General and the Administrative Law Judge to attend the hearing, as well as court reporter/transcript costs. In addition, given how high profile companion animal legislation can be; the fact that the definition of “companion animal” does not exclude livestock; and the fact that the proposed rules may be deemed to affect farming operations (triggering a requirement to hold a hearing in an agricultural area); the Companion Animal Board would likely need to hold more than one hearing at multiple locations, resulting in the preceding costs multiplied by the number of hearings held.

Expenditure and/or Revenue Formula

Amount of new annual salaries and benefits along with other personnel related expenses needed to establish the Minnesota Board of Companion Animals:

Position	Salary and Benefits	Vehicle Expense	IT Expenses	Cell Phones and Mi-Fi Expenses	Total Expenses
Agricultural Advisor .2 FTE	19,729.00	1,779.00	2,213.00	225.00	23,946.00
Veterinarian 1.0 FTE	120,000.00	9,932.00	11,064.00	1,123.00	142,119.00
Veterinarian Senior .5 FTE	63,379.00	300.00	5,532.00	341.00	69,552.00
Executive Director 1.0 FTE	157,910.00	600.00	11,064.00	682.00	170,256.00

Totals	361,018.00	2,611.00	29,873.00	2,371.00	405,873.00

Annual other new expenses to be incurred by the Minnesota Companion Animal Board:

Space Costs for Vet Senior and Executive Director	17,939.00
Quarterly Board Meeting Expenses Per Diems, Travel, Conference Rooms and Food and Beverages	8,320.00
Totals	26,259.00

Expenses for Major Rulemaking:

Expense	Amount
Staffing Costs	
Program staff (\$40 w/fringe)	124,800
Rules staff (\$40 w/fringe)	124,800
Clerical support (\$26 w/fringe)	8,320
Office of Attorney General	
Legal fees (\$131/hour)	11,266
Office of Administrative Hearings	
Admin. Law Judge (\$170/hour)	22,950
Filing Fee	50
State Register (\$135/page)	
Request for Comments	265
Notice of Intent to Adopt Rules (with rule text published)	7,425
Notice of Adoption (without rule text published)	60
Miscellaneous	
Mailings	925
Duplicating	1,500
Transcripts	1,000
Committee costs, outstate meetings	500
Total Rulemaking Costs	303,861
Rulemaking Costs in FY21	202,574
Rulemaking Costs in FY22	101,287

Because the effective date of this bill is July 1, 2020, the FY21 costs for establishing and operating the Companion Animal Board are projected to be \$726,673. These expenses would be off-set by fee revenue that is projected to be collected, in the amount of \$30,000. The net expenses for FY21 would then be \$696,673 (\$726,673 - \$30,000 = \$696,673).

Expense	FY 2021 Annual Amount
SPA Int. 1.0 FTE	91,967
New Positions	405,873
Space and Board Meeting Expenses	26,259
Major Rule Making \$303,861 over 1.5 years	202,574
Expense Totals	726,673

The Companion Animal Board Expenses for FY2022 and beyond are projected to be \$625,386. These expenses will be off-set by fee revenue that is projected to be collected, in the amount of \$30,000. The net expenses for FY22 will then be \$595,566 (\$625,386 - \$30,000 = \$595,566).

Expense	FY2022 Annual Amount
SPA Int. 1.0 FTE	91,967
New Positions	405,873
Space and Board Meeting Expenses	26,259
Major Rule Making \$303,861 over 1.5 years	101,287
Expense Totals	625,386

BAH's annual revenue would decrease by \$30,000, based on average annual receipts of Commercial Dog and Cat Breeder and Licensed Kennel fees and penalties. The Companion Animal Board would collect this \$30,000 annually.

Long-Term Fiscal Considerations

N.A.

Local Fiscal Impact

N.A.

References/Sources

Amending Minnesota Statutes 2018, sections 35.02, subdivision 1; 35.03 Proposing coding for new law in Minnesota Statutes, chapter 347.

Establishes the Minnesota Companion Animal Board. Transfers the regulatory duties of commercial dog and cat breeders and licensed kennels from the Minnesota Board of Animal Health (BAH) to the newly created Minnesota Companion Animal Board.

Agency Contact: Dr. Linda Glaser

Agency Fiscal Note Coordinator Signature: Marita Bliven

Phone: 651-201-6837

Date: 6/12/2020 5:38:51 PM

Email: marita.bliven@state.mn.us