

Preliminary Evaluation of the Maryland Horse Industry Board

Recommendations:	Waive from full evaluation Extend termination date by 10 years to July 1, 2026 Require follow-up report by December 1, 2015
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Date Established: 1968

Name changed from the Board of Inspection of Horse Riding Stables, membership altered, and mandate expanded in 1998

Most Recent Prior Evaluation: Full evaluation, 2004

Extended termination date by 10 years to July 1, 2016 (enacted by Chapter 170 of 2006); follow-up report on implementation of recommendations (not submitted*)

Composition: 12 members

One vacancy (county humane society officer)

Staff: Three (full-time executive director, full-time stable inspector, part-time administrative assistant); shared inspector with the Maryland State Board of Veterinary Medical Examiners (vacant); other shared personnel from the Maryland Department of Agriculture support the board (assistant Attorney General, regulations coordinator, fiscal and information technology personnel)

Regulated Entities: Boarding stables; rescue or sanctuary stables; lesson or rental stables

619 licensed stables as of July 31, 2013

Authorizing Statute: Title 2, Subtitle 7, Agriculture Article

Evaluation Completed by: April M. Morton, Department of Legislative Services, 2013

* The 2004 evaluation required the board to report to certain committees of the General Assembly on the implementation of the board's civil enforcement authority against unlicensed stables, including a description of any implementing regulations adopted by the board and the number and amount of any fines imposed, by December 31, 2006. This report was not submitted because the board required further legislative changes before it could implement its civil enforcement authority.

Overview of Regulatory Activity

The Maryland Horse Industry Board is responsible for licensing and inspecting commercial riding stables and promoting equine activities and businesses in the State through grants and marketing efforts. Since the last sunset review in 2004, the General Assembly has adopted several pieces of legislation altering the board's mandate and funding and expanding and clarifying the types of equine activities that fall under the regulatory authority of the board, including requiring rescue or sanctuary stables, as well as any stable boarding or offering for public use one or more horses, to obtain a license from the board (see **Appendix 1**).

Although the regulatory authority of the board has expanded and the investigator position shared with the State Board of Veterinary Medical Examiners is currently vacant, the board has been able to maintain its licensing workload (an average of 595 per year) and complete an average of 448 inspections each year (see **Appendix 2**). Until fiscal 2013, the board did not keep detailed records of the number of new versus renewal licenses issued. Furthermore, the board does not keep records of the turnaround time for licenses but estimates that it takes approximately five to six weeks to process an application for a new license and three weeks to process a renewal application. Chapter 151 of 2004 granted the board civil enforcement authority over unlicensed stables. However, the board advises that further legislative changes were needed before this authority could be used. The board is currently finalizing regulations and procedures that will allow it to fine unlicensed stables and plans to conduct its first test case within the next year.

The board reports a 100% passage rate for stable inspections, reflecting the board's commitment to working with stable operators to meet State standards. This nonpunitive approach has been well received by the regulated community. However, not all stables are fully compliant at their initial inspection. At each board meeting, the stable inspectors provide an update on the stables visited and their overall findings (*i.e.*, good, adequate, follow-up required). In fiscal 2013, 92% of stables inspected were in good condition. The board takes a similarly nonpunitive approach to handling complaints – working with stable operators, local soil and conservation districts, and local animal control boards to resolve issues rather than pursuing disciplinary action (see **Appendix 3**).

Through fiscal 2010, the board was funded with a combination of general funds and special fund fee revenues. The board has been entirely special funded since fiscal 2011 (see **Appendix 4**). Since fiscal 2009, board expenditures have increased by more than 237%, primarily due to short-term contractual services associated with a Maryland horse park feasibility study and other marketing efforts. Contractual services comprise approximately 35% of the board's fiscal 2013 and 2014 budgets. As a result, fiscal 2014 board expenditures (\$343,252) are anticipated to exceed the board's revenues from fees and the feed assessment (\$278,125), resulting in significant use of the board's fund balance. The board expects the horse park study to be concluded in fiscal 2014 and anticipates that revenues and expenditures should equalize in fiscal 2015. The board's fund balance is expected to be 13% of total expenditures at the end of fiscal 2014.

The board operates a Maryland Horse Industry Grant Program to provide funding for equine-related activities that support horse health-related research, promote the development and use of horses in the State, create public awareness regarding horses, and develop and disseminate information about the equine industry (see **Appendix 5**). After a shortfall in revenues from the commercial equine feed assessment prevented the board from funding any grants in fiscal 2009, the board has distributed between 8.5% and 12.7% of its total revenue (inclusive of prior general fund appropriations, but exclusive of any available fund balance) as grants. The board intends to increase grant funding in fiscal 2014 to \$30,000 (or 15.0% of total revenues from the commercial equine feed assessment).

Conclusion and Recommendations

Based on Department of Legislative Services observations that the board is actively carrying out both its regulatory responsibilities and its mandate to promote the State's horse industry, Maryland should maintain the functions of the board. **DLS recommends that the Legislative Policy Committee waive the board from full evaluation and that legislation be enacted to extend the board's termination date by 10 years to July 1, 2026. DLS further recommends that the board submit a follow-up report to the Senate Education, Health, and Environmental Affairs Committee; the House Environmental Matters Committee; and DLS by October 1, 2015, addressing the board's use of its civil enforcement authority and the board's progress in balancing its revenues and expenditures once contractual expenses for the Maryland horse park study end.**

As noted earlier, § 6-107.2 of the Agriculture Article limits use of revenues from the commercial equine feed assessment to the education, research, and promotional activities of the board. Revenue from the feed assessment pays the salary of the board's executive director, as he is predominantly involved in the expanded mission duties of the board, and funds the board's grant program. In the 2004 full evaluation of the board, DLS recommended that monies generated from the feed assessment be authorized for *all* duties of the board. This provision was included in House Bill 555/Senate Bill 446 of 2005 (the initial sunset extension and program evaluation legislation), but the bills failed in conference committee. Subsequent legislation to extend the termination date of the board proposed by the Maryland Department of Agriculture (Chapter 170 of 2006) did not include this provision. **As the board no longer receives a general fund appropriation, the General Assembly should remove the statutory restriction on the commercial equine feed assessment to allow the board more flexibility in covering its operating expenditures.**

The board should continue to improve its recordkeeping practices. The board has only recently begun to systematically track the number of new versus renewal licenses issued each year. The board does not currently keep licensing data based on the type of stable, nor does it track the time it takes to issue both new and renewal licenses. While the board works diligently to bring stables into compliance, it does not keep formal records of the number of stables that require reinspection or follow-up to attain minimum standards. **Going forward, the board should keep more systematic and detailed records of its licensing and inspection activities to improve transparency and accountability.**

Appendix 1.

Major Legislative Changes Since the 2004 Sunset Evaluation

<u>Year</u>	<u>Chapter</u>	<u>Change</u>
2006	170	<p>Extends the board's termination date by 10 years to July 1, 2016.</p> <p>Requires DLS to conduct a sunset review of the board by July 1, 2015.</p> <p>Alters the inspection schedule for stables licensed by the board from every year to every two years.</p> <p>Makes permanent the equine feed assessment as a funding source for the board.</p>
2007	100	Requires rescue stables to be licensed and inspected by the board.
2009	699	<p>Clarifies the types of equine activities that fall under the regulatory authority of the board.</p> <p>Requires that equine activities be treated as agricultural activities for the purposes of State law relating to the board.</p>
2009	702	<p>Increases from \$2 to \$6 the maximum per ton assessment on commercial equine feed (which is paid into the Maryland Horse Industry Fund to support the board).</p> <p>Prohibits any balance remaining in the fund at the end of a fiscal year from reverting to the general fund.</p>
2010	19	<p>Increases the stable inspection fee from \$25 to \$50.</p> <p>Requires an applicant for a license to pay a license fee of \$75.</p> <p>Requires all license and inspection fees collected by the board to be paid into the Maryland Horse Industry Fund.</p>
2012	19	<p>Clarifies and expands the definition of what types of establishments the board regulates.</p> <p>Combines existing initial license and inspection fees into one initial license fee and existing annual license renewal and inspection fees into one annual license renewal fee.</p> <p>Repeals existing provisions governing the inspection schedule for stables licensed by the board and instead authorizes the board to determine when inspections should be performed.</p> <p>Increases and clarifies penalties for violations of State law relating to the board.</p> <p>Establishes procedural requirements for the suspension or revocation of a license by the board.</p>

Source: Laws of Maryland

Appendix 2. Licensing and Inspection Activities

Licenses Issued and Inspections Completed Fiscal 2009-2014

	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>Est. FY 2014</u>
New Licenses Issued ¹	-	-	-	-	69	50
License Renewals ¹	-	-	-	-	549	575
Total Licenses Issued	583	620	578	575	618	625
Inspections Completed	481	445	481	468	367	525

¹ Board records do not distinguish between new and renewed licenses prior to fiscal 2013 when the board launched a major initiative to identify and license new stables.

Source: Maryland Horse Industry Board

Stable Inspection Outcomes for Fiscal 2013²

<u>Inspector Comments</u>	<u>Number of Inspections</u>	<u>% of Total Inspections</u>
Good/Great	339	92%
Adequate/Meets Minimum Standards	17	5%
Problem Noted/Follow-up Required	11	3%

² In the past, the board has not kept formal records of stable inspection results. However, the stable inspectors do provide the board with monthly updates on their activities, including the name of each stable visited and a brief comment on stable conditions. This table summarizes the information from the stable reports submitted in fiscal 2013.

Source: Maryland Horse Industry Board

Appendix 3. Complaints Summary Fiscal 2011-2013¹

	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
<i>Total Complaints</i>	11	10	10
Formal Complaints ²	4	3	4
Informal Complaints ³	7	7	6
<i>Type of Complaints</i>			
Operating Without a License	5	8	9
Unacceptable Animal Care	1	2	
Improper Shelter or Fencing	1	-	-
Poor Waste Management	2	-	-
Other	2	-	1
<i>Disposition of Complaints</i>			
Inspected; Passed Inspection	3	-	-
Inspected; Conditions Improved	1	1	-
License Application Provided; Now Licensed	1	4	2
License Application Provided; No Reply ⁴	3	3	2
Referred to Local Animal Control	1	1	4
Pending	-	-	1
Other	2	1	1

¹The board was unable to provide complaints information for years prior to fiscal 2011, when the current executive director, Ross Peddicord, was hired. The board indicates that a new complaint process was formulated in late 2011, which has enabled the board to better track both formal and informal complaints.

²Formal complaints must be submitted to the board on a form provided on the board's website. Formal complaints are considered part of the board's record, are subject to the Maryland Public Information Act, and may be inspected by the public. The board must furnish a copy of the complaint to the facility operator who is the subject of the complaint.

³In addition to formal complaints, the board receives a number of informal complaints via phone, email, and anonymous letter each year. The board typically follows up on these complaints as it would a formal complaint.

⁴Although the board was given authority to impose civil penalties on unlicensed stables in 2004; the board has yet to exercise this authority. The board found that certain loopholes in the law made it difficult to prove cases against small unlicensed stables. These loopholes were closed in 2012, however; and the board is now in the process of finalizing regulations that would allow it to fine unlicensed stables. The board hopes to conduct its first test case against an unlicensed stable in fiscal 2014.

Source: Maryland Horse Industry Board

Appendix 4.

Financial History of the Maryland Horse Industry Board

Fiscal 2009-2014

	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>Est. FY 2014</u>
Beginning Balance	\$0	\$0	\$0	\$56,842	\$90,053	\$109,496
License and Inspection Fees ¹	-	-	73,875	63,875	75,875	78,125
Commercial Equine Feed Assessment	73,535	132,737	209,296	199,597	200,390	200,000
Other Revenue ²	7,423	38,944	141	193	160	-
General Fund Appropriation	63,820	50,600	-	-	-	-
Total Available Funds	\$144,778	\$222,281	\$283,312	\$320,507	\$366,478	\$387,621
Contractual Services	3,415	65,761	113,729	32,514	90,647	124,300
Other Expenses	141,363	156,520	112,741	197,940	166,335	218,952
Total Expenditures	\$144,778	\$222,281	\$226,470	\$230,454	\$256,982	\$343,252
Ending Fund Balance	-	-	\$56,842	\$90,053	\$109,496	\$44,369
Balance as % of Expenditures	-	-	25%	39%	43%	13%

¹The reported income from license and inspection fees was \$43,725 in fiscal 2009 and \$49,298 in fiscal 2010. This revenue accrued to the general fund and was made available to the board through the general fund appropriation.

²The source of the additional revenues is unclear.

Notes: The board became fully special funded in fiscal 2011 per Chapter 702 of 2009, which prohibits Maryland Horse Industry Fund balances from reverting to the general fund, and Chapter 19 of 2010, which requires all license and inspection fees collected by the board to be paid into the Maryland Horse Industry Fund. The Commercial Equine Feed Assessment is currently assessed at \$6 per ton of feed sold in Maryland. Statute specifies that any funds collected from the assessment may be used only for education, research, and promotional materials and activities intended to benefit the Maryland equine industry.

Source: Maryland Horse Industry Board, Maryland Department of Agriculture

Appendix 5. Grant Distribution Fiscal 2009-2014

	<u>FY 2009¹</u>	<u>FY 2010²</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>Est. FY 2014</u>
Total Grant Funding	\$0	\$13,948	\$17,693	\$21,444	\$25,350	\$30,000
Grants Awarded	0	-	18	15	22	n/a
% of Special Fund Revenues Distributed as Grants	-	10.5%	8.5%	10.7%	12.7%	15.0%

¹According to the board, it was unable to fund grants in fiscal 2009 because all revenues from the commercial equine feed assessment were needed for other purposes. The board resumed funding for grants in fiscal 2010, following an increase in special fund revenues from that source.

²There is no record of the number of grants awarded in fiscal 2010.

Note: Grants are provided using special fund revenues from the commercial equine feed assessment.

Source: Maryland Horse Industry Board

Appendix 6.
Written Comments of the
Maryland Horse Industry Board

The board reviewed a draft of this preliminary evaluation and provided these written comments.



**Maryland
Department of Agriculture**

Office of Marketing, Animal Industries & Consumer Services

Martin O'Malley, Governor
Anthony G. Brown, Lt. Governor
Earl F. Hance, Secretary
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November 21, 2013

Jennifer B. Chasse
Principal Policy Analyst
Department of Legislative Services
90 State Circle
Annapolis, MD 21401

Dear Ms. Chasse:

Please be advised that the Maryland Horse Industry Board (MHIB) has reviewed the initial report provided by the Department of Legislative Services.

We commend your department and April Morton, the analyst assigned to our program study, for the thorough and meticulous analysis of MHIB operations.

At our November 19, 2013 board meeting, we discussed the report and reviewed the recommendations and have no further changes.

We appreciate the recommendations and will take them into consideration.

Please let us know if you need further information.

Yours sincerely,

Jim Steele
MHIB Board Chair

Ross Peddicord
MHIB Executive Director