

Testimony of Agriculture Secretary Russell Redding before the House Agriculture and Rural Affairs Committee regarding House Bill 1463

A Plan to Protect Dogs and Modernize Dog Licensing in PA

Wednesday, September 27, 2017

Chairman Causer, Chairman Pashinski, and members of the committee, thank you for the opportunity to appear before you today to discuss the perilous financial state of the Dog Law Restricted Account and our plans not only to restore long-term solvency to that fund, but also modernize the way we license dogs in the commonwealth—improving convenience for dog owners in the process and making our entire operation far more efficient.

Before I begin, I want to first thank Chairman Pashinski for his sponsorship of this legislation, House Bill 1463. He understands the important public safety role we play at the department through our Bureau of Dog Law Enforcement, and he is committed to helping us find a solution that ensures we retain the ability to protect our four-footed canine companions and members of the public from dangerous dogs.

Time is of the Essence

Simply put, the reason we have pursued this legislation is because the Dog Law Restricted Account is on the brink of insolvency. There are several factors behind this problem, including the diversion of \$4 million from the account in 2009 to balance the state budget. Since that time, the account's ending balances have trended downward every year. Whereas there were \$7 million in the fund in FY 2009-10, we ended last fiscal year with less than \$1.9 million.

Within the next two months, it is very likely the fund balance will reach negative territory, and while it will rebound through normal cash flows, we still project a fiscal-year-end deficit. Our forecast for next fiscal year has the fund operating in a deficit position the entire year, ending FY 18-19 more than \$1.6 million short. The problem and the size of that deficit will only grow worse, year after year, and our General Government Operations appropriation is in no position to provide relief or absorb these expenses.

Increasing Revenues and Cutting Expenses—But Still Not Enough to Stay Solvent

We recognize the difficult financial position the commonwealth faces, and we recognize that many are averse to any sort of fee increase. We have avoided seeking a change in the price of a dog license for as long as we could. We can no longer wait.

Since 2012, we have worked diligently to increase revenues by increasing the number of units sold—in this case, the number of dog licenses. We increased the number of licenses sold by 14 percent between 2012 and 2016, an increase of nearly 120,000 units. That increase has led to a more than \$650,000 increase in sales revenues, a jump of nearly 12 percent. The bulk of this uptick is the result of more dog owners choosing to buy lifetime licenses, as opposed to an annual license. Lifetime license sales have increased by 54 percent since 2009 so that today,

lifetime sales account for 5.6 percent of total licenses sold. Eight years ago, that percentage was only 3.7 percent. While this contributes positively to the revenue picture, the cost of an annual license is equivalent to slightly less than five years' worth of annual license revenue. Thus, because most dogs live more than five years, there is essentially no revenue coming in beyond the fifth year for those dogs to meet expenses.

And while we have increased revenues, we have also been diligent about reducing expenses. Comparing fiscal year 2010-2011 to fiscal year 2015-2016, we have reduced operating costs by nearly half a million dollars annually. We have accomplished this by moving to an on-demand model for printed materials; eliminating the grant reimbursements to kennels for holding and disposal costs, which means less funding for more than 50 shelters across the state; and by leasing vehicles rather than buying them, which has cut maintenance costs significantly. We have also reduced our complement of employees working within the Bureau of Dog Law Enforcement from 92 in FY 10-11 to 62 today, saving at least another \$650,000 annually after adjusting for mandated salary and benefit increases over the past six years. We also have kept four positions vacant in order to further control personnel expenses. These positions would have covered territory in Carbon, Crawford, Lancaster, Monroe, Snyder and Union counties. Because of these vacancies and prior personnel reductions, we now have 20 wardens—or nearly a third of the bureau's complement—covering two or more counties.

The Consequences of Inaction

If our financial projections come to pass, we will face some very difficult decisions about how to manage the bureau moving forward. We risk drastically undermining the good work Pennsylvania has done since 2008 to protect dogs in commercial breeding kennels. We may have fewer personnel to protect stray dogs; fewer personnel to monitor the dangerous dog registry; fewer personnel to respond to cases of dog bites; and fewer wardens to inspect licensed kennels and investigate illegal kennels where the health and safety of dogs are a tremendous concern.

For perspective, last year, our dog wardens helped to protect at least 5,000 stray dogs, ensuring each was placed securely in a shelter until they could be reunited with their families.

Additionally, protecting the public from dangerous dogs is a responsibility we take seriously at the department, and one we do not want to see eviscerated because of insufficient funding. There are approximately 520 dogs that have been deemed dangerous by a magisterial district judge. In reality, that number is probably much higher due to underreporting by some municipalities. And with respect to dog bites, last year there were 955 dog bites reported to the bureau for investigation. In fact, a report from the Insurance Information Institute and State Farm ranked Pennsylvania fourth in the nation for the number of dog bite cases.

An Opportunity to Modernize Dog Licensing, Operate More Productively and Efficiently

While we want to avoid any degradation of service, at the same time, we feel this is an opportunity to modernize how we administer the Dog Law, specifically, how we license dogs in this state. This modernization would benefit not only the Department of Agriculture, but our partners who aid us in the sale of dog licenses, such as county treasurers. Kennels, our wardens, and other law enforcement personnel would be able to place a licensed dog with their owner

more quickly, freeing them up for the other valuable work they do to protect our communities. And dog owners would have the convenience of purchasing a dog license from the comfort of their home—access that the public increasingly demands as more people make their purchases online.

Presently, we rely on a fragmented system where counties use multiple online vendors or—in some cases—only paper forms to license dogs. HB 1463 will allow the commonwealth to create a single online platform where residents can buy dog licenses from the comfort of their own home. That system will help us to create a single, statewide database of dog license holders, enabling us to better target our enforcement efforts and proactively market license renewals to pet owners—just like any business would do for its service.

Our plan also means more money and fewer expenses for county treasurers, which will continue to have an important role under our modernization plan. Under HB 1463, counties will receive more revenue for each dog license they sell, potentially equaling hundreds of thousands of dollars more per year. At the same time, the online statewide sales portal will be made available to counties free-of-charge, offering them a more affordable option than the systems many county treasurer offices use presently. These systems can cost as much as \$10,000 to create and thousands more each year in maintenance costs. We hope to help counties turn the dog licensing function of county treasurers from a cost center to a profit center.

Finally, I will note that allowing for a fee increase means we will be able to restore the reimbursement grants to shelters that were discontinued in 2012 due to insufficient funding. These grants went to approximately 50 kennels and shelters in your districts and elsewhere across the state that help us by taking in stray dogs and holding them until the owners can be found. In traveling the state, we have heard from kennel operators and staff how detrimental the loss of this funding was to them, making it all the more difficult to fulfill their mission. With new revenue from a fee adjustment, we will be able to reinstate that \$600,000 grant program.

Adjusting License Fees to Keep Pace with Inflation

To finance these improvements and to return the Dog Law Restricted Account to financial stability, we are seeking an increase in the price of a dog license. This would be the first license fee increase in 21 years, and our proposal seeks only a change that is in line with inflation over the past two decades. As two examples, the annual license fee for spayed or neutered dog would increase from \$6.50 to \$10, and the lifetime license fee would go from \$31.50 to \$47.

These proposed license costs are comparable to—if not less than—what dog owners pay in parts of Pennsylvania that set their own rates. For instance, the annual dog license fee in Scranton is \$35, and Altoona charges \$54 for a lifetime license.

This proposal was the result of efforts by the Dog Law Advisory Board. In 2016, we reconvened the board after it has gone without meeting or any activity for a number of years. During the reconstituted board's first meeting in April 2016, members voted to form three subcommittees to develop recommendations on matters of finance, licensing education and public outreach, and the sheltering and rescuing of dogs. The proposal encapsulated in HB 1463 largely reflects the work of the finance workgroup. That workgroup included Dauphin County Treasurer Janis

Creason, whom you will hear from shortly. I appreciate her role and that of her colleagues and fellow board members in formulating this proposal.

We anticipate this new fee structure, once enacted, will yield approximately \$2.8 million in new revenue each year above what is presently collected. Implementing the fee now will enable the Dog Law Restricted Account to remain solvent through 2021 based on our projections. It is possible that timeline could be extended if actual rates of increase in expense line items fall short of our assumptions, and other changes were to occur in statute, regulation or through other administrative measures. That is a conversation about which we are certainly willing to engage with you and other members of the General Assembly.

As many of you may know, in developing their proposal, the workgroup developed a 20-year forecast of revenues and expenditures from the Dog Law Restricted Account. The members were attempting to model future revenues and expenditures. In the course of developing that model, it became clear subsequent increases would be necessary to maintain the account's solvency, so the workgroup anticipated increases of between approximately 15-20 percent every four years.

I want to assure the General Assembly that while HB 1463 allows the Secretary of Agriculture to adjust the fee in future years to an amount that "shall be only that which is required to cover the reasonable and necessary expenses of administering the duties" of the department under the Dog Law, the decision to seek subsequent increases is not a foregone conclusion. We are committed to adjusting fees only when absolutely necessary to maintain operations, and we are committed fully to working with you to ensure we are diligent about controlling costs and finding efficiencies in order to minimize the need for such a future increase beyond what we are requesting today.

Closing

Chairman Causer, Chairman Pashinski, and members of the committee, again I thank you for the opportunity to appear before you today to discuss the imminent threat facing our enforcement of the state's Dog Law. Like you and countless others across the commonwealth, I care about the health and safety of our canine companions. As a former dog owner, myself, I know that we consider our pets to be members of our family. We want to be sure they are safe and secure. When they go missing, we worry about them, and we hope and pray they are returned to us unharmed.

The staff of the Bureau of Dog Law Enforcement are committed to performing that work. They are dedicated public servants who work tirelessly across the state to ensure dogs and kennels are licensed in accordance with the law; to protect stray dogs and reunite them with their families; and to investigate and protect the public from dangerous dogs. As I mentioned earlier, there are 30 fewer employees within the bureau today than there were in 2010, so our remaining wardens are in many cases covering the territory previously occupied by two or three other wardens.

We recognize that we all must do more with less, and we have done so, cutting more than \$1 million in annual expenses. Those are recurring savings that have helped to keep the Dog Law Restricted Account afloat until now, but the time for new, sustainable revenue is upon us. In the coming months, without an increase in the price of a dog license fee, we will very likely have to

further curtail services. Given the progress we made to reform and better enforce health and safety regulations on commercial kennels since 2008, progress made possible by the work of this committee and General Assembly, I want to continue to maintain the high bar we have established and not undo the good work we have accomplished together.

Again, I thank you for your time, and I will be happy to take your questions.