



Dave Heineman
Governor

State of Nebraska

Department of Agriculture
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October 30, 2012

Mr. Patrick J. O'Donnell
Clerk of the Legislature
State Capitol Rm 2018
Lincoln, NE 68509-4604

Dear Mr. O'Donnell:

The enclosed fiscal reports to the Legislature for 2011/2012 fiscal year regarding the Commercial Dog and Cat Operator Inspection Act were prepared by the Nebraska Department of Agriculture to comply with the requirements in §54-642. A copy will also be submitted to the Agriculture Committee and the Appropriations Committee for their review.

If you have any questions in this regard, please contact me at (402) 471-2351.

Sincerely,

DEPARTMENT OF AGRICULTURE

A handwritten signature in black ink that reads "Dennis A. Hughes D.V.M.".

Dennis A. Hughes, DVM, State Veterinarian
Animal and Plant Health Protection

Enclosures

copies: Senator Tom Carlson, Chair of the Agriculture Committee
Senator Lavon Heidemann, Chair of the Appropriations Committee

Annual Report

Commercial Dog and Cat Operator
Inspection Program

Fiscal Year July 1, 2011 – June 30, 2012

John Boucher, DVM
Annette Bredthauer, DVM

November 1, 2012

NEBRASKA DEPARTMENT OF AGRICULTURE
REPORT TO THE LEGISLATURE FOR FISCAL YEAR 2011/2012
REGARDING THE COMMERCIAL DOG AND CAT OPERATOR INSPECTION ACT

AGENCY 18 - DEPARTMENT OF AGRICULTURE
PROGRAM 063 – Animal and Plant Health Protection

The Nebraska Department of Agriculture (Department) submits this report to comply with §54-642 of the Commercial Dog and Cat Operator Inspection Act (“Act”). Section 54-642 requires the Department to:

1. Identify costs incurred by the Department to administer the Act in the previous fiscal year (see Table 2).
2. Detail costs incurred by primary activity (see Tables 1 and 2).
3. Provide a breakdown by category of all revenue credited to the cash fund in the previous fiscal year (see Table 1).

To assist in understanding these costs and the revenue for this program, the following background information is submitted. The Commercial Dog and Cat Operator Inspection Act was first enacted in 2000. Since that time, a number of amendments have been enacted which have placed mandates on the Department and on those who are regulated by the Act. For instance, an additional four types of facilities, which are subject to the Act, have been added since the original legislation was enacted.

LICENSES

In FY 11/12, 269 commercial breeder licenses were issued, a 7% decrease from the record low of 290 issued in FY 10/11. Two major factors may have contributed to this drop in numbers:

1. As a result of increased oversight from inspectors, a number of facilities that had difficulty maintaining compliance standards, chose to discontinue operation; and
2. Some facilities closed for economic reasons.

Licenses in the animal shelter, animal control, and animal rescue category increased from 225 in FY 10/11 to 233 in FY 11/12.

While the number of licensed dealers and pet shops remains relatively steady from year to year, the number of boarding kennels continues to increase each year to an all time high of 97 licensed in FY 11/12. This is a 21% increase over the average of the past four years.

INSPECTIONS

The total number of attempted and completed inspections continued to increase from a previous record high of 998 in FY 10/11, to 1,035, including exit inspections, in FY 11/12, a 4% increase. See Table 4 for the types of inspections completed. The total number of inspections completed continued to increase from a previous record high of 856 in FY 10/11 to 888, including exit inspections, in FY 11/12, also a 4% increase.

COMPLAINTS

In FY 10/11, the program received 92 complaints (Table 4), a record low. In FY 11/12, the program received 69 complaints, a 25% decrease from the previous fiscal year. This is a 43% decrease over the average of complaints received over the past four years.

There are several reasons which may explain the decrease in the number of complaints. Of the seven types of licensed facilities, complaints on commercial breeder facilities account for approximately half of those received in a typical year. The number of licensed commercial breeder facilities has steadily declined in each of the past four years. The 269 licensed in FY 11/12, is an all time low. The decline in the number of complaints may be related to the lower numbers of commercial breeder facilities, increased oversight, and the number of problem facilities which have ceased doing business.

The investment of time to resolve the issue or issues found during an inspection, based on a complaint, can vary greatly, from those complaints which are discovered to be unfounded to those which require the cooperation of law enforcement and humane societies. Approximately a third of the inspections conducted, as the result of a complaint, necessitate at least one additional inspection.

PUBLIC RELATIONS

Table 4 also shows an increase in time invested in public relations contacts. These contacts serve to gain compliance from the regulated, to gain assistance of and work with local law enforcement, and to educate and work with humane societies, industry leaders, and veterinarians.

Report – History

2011-2012 Fiscal Year Legislative Report

Commercial Dog and Cat Operator Inspection Program

Agency 18 - Department of Agriculture

Program 063 – Animal and Plant Health Protection (APHP)

The provisions of this Program were initiated during the 2000 session of the Nebraska Legislature. The Act became operative July 1, 2000. Regulations were approved in July 2001, amended in August of 2003, and, most recently, amended in May 2012.

APHP began licensing commercial breeders, dealers, and boarding kennels during FY 01/02. The licensing period is April 1 to March 31. License fees during the FY 01/02 year were set at \$100.

On April 17, 2003, LB 233 went into effect, except for the new licenses required by this bill which was operative October 1, 2003. This requires that all animal control facilities and animal shelters be State licensed. The licensing period for animal control facilities and animal shelters is October 1 to September 30. License fees during 2003 were set at \$150.

On August 31, 2003, provisions of LB 274 went into effect. Beginning January 1, 2004, this bill required all pet shops be licensed. The licensing period for pet shops is April 1 to March 31. License fees were set at \$150.

On September 27, 2006, initial license fees were set at \$125. All renewal fees remained at \$150. This was authorized by LB 856, which went into effect July 14, 2006.

On September 1, 2007, LB 12 went into effect. LB 12 established the following requirements: (1) the facilities of all initial applicants shall receive a qualifying inspection before a license can be issued; (2) at least one inspection shall be conducted every 24 months for all licensees; (3) a three-tiered renewal fee schedule of \$150, \$200, and \$250 based on the annual daily average number of dogs and cats housed during the previous licensure period; and (4) a \$150 renewal fee for licensed facilities that do not house dogs or cats. LB 12 also allows the Nebraska Department of Agriculture to impose administrative fines. LB 12A provided funding for additional staff, including a part-time attorney, full-time supervising veterinarian, and two additional inspectors.

On August 30, 2009, LB 241 went into effect. LB 241 authorizes the Department to issue and enforce stop-movement orders, and expands the definition of animal control facility to include facilities under contract with the State or any political subdivision of the State. Prior to this bill, only a facility operated by such entities was considered an animal control facility. The bill, however, allows the State or any political subdivision of the State, which contracts out its animal control duties to a facility not operated by the State or any political subdivision of the State, to be exempted from the licensing requirements of the Act, if such facility is licensed as an animal control facility or animal shelter for the full term of the contract with the State or its political subdivision.

On July 15, 2010, provisions of LB 910 went into effect, with portions requiring the licensing of animal rescues, beginning October 1, 2010. LB 910 established the following provisions: (1) a definition and licensing requirement for animal rescues; (2) a definition of a foster home; (3) any county, city, or village that imposes a license tax on the owner or harbinger of any cats or dogs shall, in addition to the license tax imposed by the licensing jurisdiction, collect from the licensee a fee of one dollar with 97% of the fee remitted to the State Treasurer for credit to the Commercial Dog and Cat Operator Inspection Program Cash Fund; (4) increased licensing fees with an 11-tiered annual license fee schedule of \$150, \$200, 250, \$300, \$350, \$400, \$450, \$500, \$550, \$600, and \$2,000; (5) set an annual license fee for animal rescue at \$150; and (6) changed the late renewal fee to an amount equal to twenty percent of the annual license fee, due and payable each month, not to exceed one hundred percent of such fee.

On December 1, 2011, a Regulation Hearing was held to amend the Commercial Dog and Cat Operator Inspection Regulations. These Regulations were approved and signed by the Governor on May 14, 2012.

The Act was last revised during the 2012 session of the Nebraska Legislature with the passage of LB 427. The provisions took effect on October 1, 2012.

The goal of the Commercial Dog and Cat Operator Inspection Program is to maintain a quality licensure and inspection program for commercial breeders, dealers, boarding kennels, animal control facilities, animal rescues, animal shelters, and pet stores, ensuring uniform standards consistent across the state.

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The tables that more directly respond to the items in Section 54-642 follow and are described as:

1. A **Cash Fund Fiscal Report**, which shows beginning and ending cash fund balances. This Report also shows all revenue received and expenses incurred by category.
2. A **Costs to Administer the Act Report**, which shows all administrative costs allocated and program costs incurred by the Department of Agriculture categorized by primary activity.
3. A **State Fiscal Year Annual Activity Report**, which shows the number of licensed facilities as of June 30, 2012, categorized by type of operation.
4. A **State Fiscal Year Annual Activity Report**, which provides details on the total number of complaints, types and number of inspections, and total number of public relations contacts by program staff.

**DEPARTMENT OF AGRICULTURE
COMMERCIAL DOG AND CAT OPERATOR INSPECTION PROGRAM
CASH FUND FISCAL REPORT
JULY 1, 2011 - JUNE 30, 2012**

DESCRIPTION		FY 11/12 YTD
BEGINNING CASH BALANCE	\$	136,976.59
REVENUE:		
License Fees	\$	130,510.00
Local License Fees		224,976.47
Late Fees		880.00
Investment Income		2,352.30
Donations		2,000.00
Reimbursements		515.50
Miscellaneous		<u>7,539.63</u>
Total Revenue	\$	<u>368,773.90</u>
 TOTAL AVAILABLE CASH	 \$	 505,750.49
EXPENDITURES:		
Salary & Benefits	\$	321,216.72
Postage and DAS Surcharge		1,612.34
Communications Expense		4,484.88
Data Processing Expense		13,216.93
Printing		2,230.06
Conference Registration		747.78
Office Rent & Surcharge		1,685.85
Office Supplies Expense		447.37
Ag, Ed, Med, & Misc Supplies		658.86
Repair & Maint & Supplies-Motor Vehicle		2,645.95
Gas Expense		12,864.74
Misc. Operating Expense		5,326.79
Accounting & Auditing Services		626.05
Board & Lodging		3,239.26
Commercial Transportation		0.00
State-owned Transportation		0.00
Personal Vehicle Mileage		373.07
Capital Outlay-Vehicles		<u>18,055.00</u>
Total Expenditures	\$	<u>389,431.65</u>
Accounts Payable/Accrued		
ENDING CASH BALANCE	\$	<u><u>116,318.84</u></u>

Table 1

**DEPARTMENT OF AGRICULTURE
COMMERCIAL DOG AND CAT OPERATOR INSPECTION PROGRAM
COSTS TO ADMINISTER THE ACT
JULY 1, 2011 - JUNE 30, 2012**

	<u>General Fund</u>	<u>Cash Fund</u>	<u>Total Costs</u>
Agency Overhead:			
Agency Administration	\$ 19,122.99	\$	\$ 19,122.99
Finance & Personnel	8,805.08		8,805.08
Building Overhead	<u>2,627.10</u>		<u>2,627.10</u>
Total	\$ <u>30,555.18</u>	\$ <u>0.00</u>	\$ <u>30,555.18</u>
 Bureau of Animal Industry Expenses:			
Investigations & Complaints	520.78	64,411.09	64,931.86
Inspections	1,221.92	151,131.11	152,353.03
Program Administration	482.10	59,627.63	60,109.73
Public Relations	460.39	56,942.86	57,403.25
Attempted Inspection	183.83	22,737.01	22,920.84
Licensing	267.05	33,029.52	33,296.57
Request for Information	9.95	1,231.25	1,241.20
Hearings	2.60	321.19	323.79
Total	<u>3,148.63</u>	<u>389,431.65</u>	<u>392,580.28</u>
 Grand Total	\$ <u>33,703.81</u>	\$ <u>389,431.65</u>	\$ <u>423,135.46</u>

Table 2

Nebraska Department of Agriculture

Commercial Dog and Cat Operator Inspection Act
State Fiscal Year Annual Activity Report

July 1, 2011-June 30, 2012

Number of licensed facilities as of June 30, 2012

State Fiscal Year	July 1, 2007- June 30, 2008	July 1, 2008- June 30, 2009	July 1, 2009- June 30, 2010	July 1, 2010- June 30, 2011	July 1, 2011- June 30, 2012
Total Number of Licensed Facilities	667	651	724	716	712
Type of Facility					
Commercial Breeders	391	379	345	290	269
Boarding Kennels	71	75	84	90	97
Dealers	8	6	10	6	8
Total	470	460	439	386	374
Animal Shelters	26	34	86	28	28
Animal Control Facilities	62	70	99	134	130
Animal Rescues	N/A	N/A	N/A	*63	75
Total	88	104	185	225	233
Pet Shops	109	87	100	105	105
Total	109	87	100	105	105

* Separate category created for Animal Rescues which became effective 10-1-10.

Table 3

Nebraska Department of Agriculture

**Commercial Dog and Cat Operator Inspection Act
State Fiscal Year Annual Activity Report**

July 1, 2011-June 30, 2012

Complaints, Inspections and Public Relations Activity as of June 30, 2012

State Fiscal Year	July 1, 2007- June 30, 2008	July 1, 2008- June 30, 2009	July 1, 2009- June 30, 2010	July 1, 2010- June 30, 2011	July 1, 2011- June 30, 2012
Complaints					
Total Number of Complaints	123	136	133	92	69
Inspections					
Type of Inspection					
Attempted*	*N/A	163	99	142	147
Pre-inspection	60	92	137	99	87
Routine	578	574	424	674	693
Re-inspection	49	62	44	30	50
Complaint	58	66	79	53	32
Exit	**N/A	**N/A	**N/A	**N/A	26
Total Number of Attempted and Completed Inspections	745	957	783	998	1,035
Total Number of Inspections Completed	745	794	684	856	888
Public Relations Hours		318.25	228	182	422
Total Number of Contacts	408	404	315	255	590

* Statistics on Attempted Inspections not available prior to FY 08/09

** Exit Inspection category added in FY11/12. Exit Inspections confirm that a previously licensed facility no longer requires a license.

Table 4