

February 28, 2024

Vermont State House
House Committee on Government Operations and Military Affairs
115 State Street
Montpelier, VT 05633-5301

RE: Vermont H. 626 – An act relating to animal welfare

Dear Chair McCarthy, Vice Chair Birong, and Members of the House Committee on Government Operations and Military Affairs:

The Pet Food Institute (PFI) appreciates the opportunity to provide comments regarding H. 626.

Established in 1958, PFI is the trade association for U.S. cat and dog food and treat manufacturers. Our members account for the vast majority of pet food and treats made in the United States, providing complete and balanced nutrition for the more than 186 million dogs and cats in U.S. households. As the voice of U.S. pet food makers for over 60 years, we advocate for a transparent, science-based regulatory environment for our members and provide information about pet food and treat safety, nutrition, and health to pet owners.

The intent of H. 626 is to provide the state with authority and funds to develop, implement, and administer a comprehensive program to uphold the state animal welfare laws through communication, education, and enforcement. While we recognize and agree in principle with the intended goals of establishing a state Division of Animal Welfare, we cannot support a tax levied on pet food and animal feed manufacturers to fund the program.

A comprehensive program to uphold and enforce state animal welfare laws is a responsibility of state government that is in the interest of protecting health and safety and would benefit all Vermonters. Accordingly, we believe strongly that a state Division of Animal Welfare should be funded through appropriations made by the General Assembly.

Pet food makers traditionally support pet food registration fees when a feed control branch demonstrates a clear need for additional funds and when the fee revenue is spent on the registration of pet food products and administration of those efforts. However, fee revenues that are used for purposes other than the registration and regulation of pet food products are inherently hidden taxes on pet food makers.

As such, PFI opposes the proposed tax of \$10 per product on commercial feed, which would raise the cost of registering animal feed and pet food from the current \$105 per product to \$115 per product. This would amount to a 9.5% tax increase in order for manufacturers to continue selling their animal feed and pet food products in Vermont.

The last few years have been incredibly challenging for pet food makers. Coming out of the pandemic, every node in our supply chain has been impacted. Like other sectors, pet food manufacturers are experiencing inflation, labor shortages and continued transportation and supply chain challenges, while also facing increased prices and shortages of crucial pet food ingredients such as meat proteins, fats, and oils. The proposed tax would be applied to every stock-keeping unit (SKU) or product label and would have significant implications. For every product you see on the shelf, there are often multiple sized packages as well as multiple formula variations, each of which must pay the tax. This is on top of the \$105 per product registration fee that pet food makers already pay to register each of their products in Vermont.

Imposing a pet food tax would add another burden to U.S. pet food makers who are navigating major backlogs as they work to adequately source the quantity and quality of critical government-required ingredients to feed the pets in nearly 85 million U.S. households. A new pet food tax could decrease the options provided for sale in Vermont, resulting in less variety in product sizes and diet options and reducing consumer choice. Additionally, this would likely negatively impact sales in Vermont brick-and-mortar pet retail stores, who employ Vermonters and who have already been negatively impacted by current economic factors, including supply limitations, supply chain congestion and inflation. Ultimately, this proposed tax would negatively impact Vermont's economic growth.

It is unclear how much funding would be sufficient to establish and run a successful Division of Animal Welfare in Vermont, but costs and funding mechanisms should be studied before imposing this tax. Effective policy solutions bring all stakeholders to the table to discuss solutions to address an issue, rather than targeting and unfairly taxing an industry for programs and services that are unrelated to the regulation of pet food and animal feed.

PFI respectfully requests that the committee amend the bill to provide appropriations funding for this program and seek alternative funding mechanisms rather than imposing a tax on pet food and animal feed. Specific industries, like pet food makers and commercial feed manufacturers, should not be targeted through taxes disguised as "surcharges" in order to fund a responsibility of state government.

On behalf of PFI members, whose nearly 35,000 employees in 35 states provide safe food for the 186 million pets across the U.S., we thank you for the opportunity to share our views. I would be happy to discuss this issue in more detail.

Sincerely,



Savonne Caughey
Senior Director of Advocacy and Government Relations
Pet Food Institute