Fiscal Note & Local Impact Statement

127 th General Assembly of Ohio

Ohio Legislative Service Commission
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BILL: **H.B. 217** DATE: **June 22, 2007**

STATUS: **As Passed by the House** SPONSOR: **Rep. Reinhard**

LOCAL IMPACT STATEMENT REQUIRED: **No — Minimal cost**

CONTENTS: **Establishes a grain marketing program**

State Fiscal Highlights

STATE FUND	FY 2008	FY 2009	FUTURE YEARS
General Revenue Fund – Department of Agriculture			
Revenues	- 0 -	- 0 -	- 0 -
Expenditures	Minimal increase	- 0 -	- 0 -

Note: The state fiscal year is July 1 through June 30. For example, FY 2008 is July 1, 2007 – June 30, 2008.

- The bill establishes a grain marketing program. Initially, the Department of Agriculture may incur minimal expenses in starting up the program, such as for publishing a ballot request form in at least two periodicals.
- The program is funded through a one-half percent assessment on the gross price of wheat, barley, rye, and oats at the first point of sale. Assessment revenue is to be used to cover the costs of administering the marketing program. Current law provides two alternatives to how this revenue may be handled, described below.
- The grain commodity marketing group could deposit the assessment revenue with a bank or savings and loan association and provide various financial statements to the Department. The other option would be to use the Department's Agricultural Commodity Marketing Program Fund (Fund 494), which serves as a pass-through fund for commodity marketing groups.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2007	FY 2008	FUTURE YEARS
Counties and Municipalities			
Revenues	Potential negligible gain from court cost, filing fee, or fine revenue	Potential negligible gain from court cost, filing fee, or fine revenue	Potential negligible gain from court cost, filing fee, or fine revenue
Expenditures	Potential negligible increase in adjudication costs	Potential negligible increase in adjudication costs	Potential negligible increase in adjudication costs

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- The bill creates a fourth degree misdemeanor penalty for persons that knowingly fail to refuse to withhold or remit an assessment on grain. The new penalty may result in a negligible increase in local criminal justice costs. Any new costs would likely be offset through court cost and fine revenue.

- The bill also allows the Director of Agriculture to institute an action that appears necessary to enforce compliance with applicable laws and rules. It is likely that any increases in local civil justice costs would also be negligible. Any new such costs would likely be offset through court cost and filing fee revenue.

Detailed Fiscal Analysis

There are currently six state-regulated agricultural marketing programs operating in the state. These programs are for the following industries: corn, beef, sheep and wool, apples, eggs, and vegetables and small fruit. This bill establishes a commodity marketing program for grains such as wheat, barley, rye, and oats. The purpose of the program is to help grain producers promote the sale of grain, maintain and expand present markets, create new and larger domestic and foreign markets, and inform the public of the uses and benefits of grain. The program is funded through one-half percent assessment on the gross price of wheat, barley, rye, and oats at the first point of sale. According to the U.S. Department of Agriculture's 2002 Census of Agriculture, there are approximately 14,340 Ohio farms growing wheat, 3,865 Ohio farms growing oats, 489 Ohio farms growing barley, and 270 Ohio farms growing rye.

State fiscal effects – Department of Agriculture

Grain marketing program – costs

Under the bill, the Director of Agriculture is responsible for holding an election to determine the membership of the nine-member grain marketing program operating committee. The Director has various duties in this regard including accepting nominations, placing names on the ballot, designating polling places, sending ballots to eligible producers upon request, publishing a ballot request form in at least two periodicals designated by the Director, and providing a toll-free telephone number that producers may call to request a ballot. The Director of Agriculture is also tasked with monitoring the activities of the program to ensure that the program is self-supporting, the appropriate records are kept, and the program is in compliance with applicable laws and rules.

There would likely be only a minimal increase in expenses for the Department of Agriculture to carry out these responsibilities as it currently performs the above duties as needed for the existing commodity marketing groups. Specifically, costs to publish ballot request forms would likely be minimal, as the Department has recently published similar forms inexpensively. The Department would utilize an existing toll-free number for producers of current marketed commodities for grain producers requesting a ballot. According to the Department, sponsoring organizations, such as the Ohio Wheat Growers Association, would pay for other related costs, such as printing ballots and mailings.

Members of the operating committee are entitled to actual and necessary travel and incidental expenses while attending meetings and performing official responsibilities delegated to the committee. These reimbursements are paid out of the assessment paid by producers. Based on the experience of other commodity marketing groups, these reimbursements should pose only a minimal cost to the grain marketing committee. In fact, some current commodity marketing groups forego such reimbursements.

Grain marketing program revenue

The grain marketing program is funded through a one-half percent assessment on the gross price of wheat, barley, rye, and oats at the first point of sale. Assessment revenue is to be used to cover the costs of administering the marketing program. Current law provides two alternatives to how this revenue may be handled. The grain commodity marketing group could deposit the revenue with a bank or savings and loan association and provide monthly and annual financial statements to the Department of Agriculture. The other option would be to use the Agricultural Commodity Marketing Program Fund (Fund 494), which serves as a pass-through fund for commodity marketing groups. Groups using Fund 494 then request repayment from the Department to be used to pay authorized expenses, such as those for promotions, marketing, and research. Three of the six current marketing programs use this pass-through method.

Local fiscal effects

The bill creates a fourth degree misdemeanor penalty for persons that knowingly fail to refuse to withhold or remit an assessment on grain. However, before instituting enforcement action for such a violation, the bill allows the Director of Agriculture to give the alleged violator an opportunity to present that person's views to the Director as to why the action should not be instituted. The new penalty may result in a negligible increase in local criminal justice costs related to investigating, prosecuting, adjudicating, and sanctioning offenders. Any new costs would likely be offset through court cost and fine revenue.

The bill also allows the Director of Agriculture to institute an action that appears necessary to enforce compliance with applicable laws and rules. It is likely that any increases in local civil justice costs would also be negligible. Any new such costs would likely be offset through court cost and filing fee revenue.

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