Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: S.B. 66 of the 130th G.A. **Date**: March 21, 2013

Status: As Passed by the Senate **Sponsor**: Sen. Hite

Local Impact Statement Procedure Required: No

Contents: Revises the Agricultural Commodity Handlers Law

State Fiscal Highlights

- **Agricultural Commodity Depositors Fund**. The bill increases the minimum balance necessary in the Agricultural Commodity Depositors Fund (Fund 4980) that is used to indemnify farmers for losses caused by the insolvency of licensed grain elevators from $8.0 million to $10.0 million. The bill also increases the maximum permissible balance of Fund 4980 from $10.0 million to $15.0 million.
- **Regulated Commodities**. The bill removes barley, oats, rye, grain sorghum, sunflower, and speltz from the list of agricultural commodities that are regulated under the Agricultural Commodity Handlers Law. This potentially reduces the number of inspections conducted by the Plant Health Division. The Division's regulatory costs are covered primarily by grain warehouse facility examination fees that are deposited into the Commodity Handlers Regulatory Fund (Fund 4970).

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

Overview

The bill makes several modifications to the Agricultural Commodities Handlers Law overseen by the Plant Health Division within the Department of Agriculture. Specifically, the bill modifies which products are considered commodities for purposes of the law, revises the law pertaining to liens placed on the assets of agricultural commodity handlers, and makes several changes with respect to the operation of the Agricultural Commodity Depositors Fund. The fiscal effects of the bill are described in further detail below.

Agricultural Commodity Depositors Fund

The bill modifies portions of the Agricultural Commodities Handlers Law that pertain to payments into and the balance of the Agricultural Commodity Depositors Fund (Fund 4980). Otherwise known as the Grain Indemnity Fund, this fund is used when needed to help pay for claims brought by agricultural commodity depositors against insolvent commodity handlers and warehouses. The last indemnity payments occurred in FY 2012, when the Department reimbursed 108 farmers a total of $4.2 million for grain stored at elevators operated by Archibold Elevator, Inc., and Central Erie Supply and Elevator in Sandusky.

Under current law, Fund 4980 collects a one-half cent per bushel assessment on grain marketed at licensed elevators in Ohio, until the fund balance reaches a cap of $10.0 million. Once the fund has reached this cap, the assessments on bushels of grain are no longer assessed. Conversely, current law also provides that once the balance of the fund drops below $8.0 million, the Director of Agriculture, with the consent of the Commodity Advisory Commission, may reinstate the one-half cent per bushel fee. The current balance in Fund 4980, after the FY 2012 payments, is approximately $8.2 million. The bill does not change the assessment rate, but does alter the statutory balance limits applicable to Fund 4980. Specifically, the statutory cap of the fund is increased to $15.0 million and the minimum balance is increased to $10.0 million. The Department of Agriculture has indicated that the current collection rate of the one-half cent per bushel assessment generates approximately $2.0 million per fiscal year. As of this writing, there are 399 licensed grain elevator locations in Ohio.

Regulated commodities

The bill removes barley, oats, rye, grain sorghum, sunflower, and speltz from the list of agricultural commodities that are regulated under the Agricultural Commodity Handlers Law. It retains the regulation of corn, soybeans, wheat, and any other crop designated by the Director under that Law. Regulation of these commodities and commodity dealers is paid from the Commodity Handlers Regulatory Fund (Fund 4970). This fund consists of fees paid by commodity dealers for inspections, and from

interest transferred from Fund 4980. Examination fees range from $50 to $1,200 depending on the size of the facility. Overall, the Department typically inspects over 400 facilities annually. By reducing the types of commodities that fall under the Agricultural Commodities Handlers Law, the bill may result in the Department conducting fewer such inspections.

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