

# FISCAL NOTE

Requested by Legislative Council

02/05/2001

## REVISION

Bill/Resolution No.: HB 1421

Amendment to:

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				(\$900,000)		(\$900,000)
Expenditures				(\$900,000)		(\$900,000)
Appropriations						

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

HB 1421 would change the funding mechanism of the North Dakota Wheat Commission (NDWC) from a flat rate of one cent per bushel (10 mills) assessed at first point of sale to 1/4 of one percent of value per bushel at first point of sale. The major difference in the two funding approaches is the increased variability of revenues and expenditures and the instability that the change would pose on long term research, customer and trade servicing and market development projects. The measure would also require the building and maintenance of a substantial reserve fund to withstand inevitable revenue swings. Historical production and price patterns indicate that annual income generation could range from extremes as low as \$900,000 per year to nearly \$4,000,000 per year.

At average market values for the 1999 and 2000 seasons, revenues would have declined by \$1,276,300 in the 1999-2001 biennium under the proposed HB 1421 funding mechanism. All funds are special funds and are all non-appropriated; the checkoff is the only funding source available to the NDWC. Using the five-year averages of production and values estimated by USDA, the impacts of HB 1421 will be demonstrated below.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

The North Dakota wheat checkoff is the only funding source available to the NDWC. Based on the most recent five-year average production levels and five-year average prices the revenues available would decline by an estimated \$600,000 to \$1,200,000 per biennium. (The estimated revenue and expenditure impact listed under section 1.A. State Fiscal Effect is \$900,000 per biennium or the mid-point of that range.) It is possible with larger acreage or price swings that revenues could be significantly higher or dramatically lower under varying circumstances. Extreme fluctuations resulting from the impacts of HB 1421 and the uncertainty created are a major concern. A larger reserve fund would be required to provide stability and continuity of the funding stream, otherwise the effectiveness of NDWC programs that are inherently long term in nature would suffer.

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

At a minimum NDWC expenditures would decline by amounts similar to the decline in revenues, since these special funds are the only source of revenue available to the NDWC to fulfill its mission of developing and expanding domestic and international markets for North Dakota wheat producers. It is also reasonable to assume that NDWC expenditures and programs would actually require substantially larger reductions during the period in which the necessary reserve fund is generated. Such an effort would likely have to be accomplished over a period of several years in order to minimize disruption of program efforts and the negative impacts of a significantly reduced funding stream.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

**Name:** Neal Fisher  
**Phone Number:** 328-5111

**Agency:** ND Wheat Commission  
**Date** 02/05/2001  
**Prepared:**