

FISCAL NOTE

Requested by Legislative Council

01/21/2003

Bill/Resolution No.: HB 1486

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.*

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				\$2,710,000		\$2,710,000
Expenditures				\$2,168,000		\$2,168,000
Appropriations						

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

2001-2003 Biennium			2003-2005 Biennium			2005-2007 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.*

This bill proposes to increase the current 10 mills per bushel levy of the North Dakota Wheat Commission (NDWC) to 15 mills per bushel on all wheat sold in the state. All funds are special funds and are non-appropriated. The NDWC mill levy, which is assessed at the first point of sale, is the Commission's only source of funding, and is used to support the NDWC mission, which is, in short, to aid in the orderly marketing of North Dakota wheat by expanding markets through promotion, education and research. Commonly known as the wheat checkoff, the program at the current assessment level has the potential to generate \$5,420,000 in gross revenues per biennium, based on a 5-year average North Dakota wheat crop of 286 million bushels, less on-farm seed and feed use. The proposed increase could raise those potential gross revenues by 50 percent or by \$2,710,000 per biennium, based on similar assumptions of average production. Deductions for existing and potential increases in producer refunds will be addressed in subsequent sections.

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 proposed five mill increase could potentially generate an additional \$2,710,000 in gross revenues per biennium. However, the proposed change to the existing legislation also provides in subsection five of Section **4-28-07**, that The commission shall forward the amount raised by four mills of the levy provided for in this section to support not more than two trade associations that are incorporated in this state and which have as their primary purpose the representation of wheat producers. Therefore, under this proposal four mills or 80 percent (\$2,168,000) of the potential increase would be forwarded to two (not specifically named) trade associations incorporated in North Dakota. Under provisions of the proposal the North Dakota Wheat Commission would retain revenues generated by one mill or additional potential gross revenues of \$542,000 or 20 percent of the increase in total funding.

The impact of the measure on producer refunds which currently average slightly less than 7 percent is unknown. However, past experience indicates previous increases in the mill levy have brought accompanying increases in the frequency and volume of

refund requests.

At current levels (7percent) the impact of producer refunds per biennium would reduce the gross revenue generated by the 5 mill increase to \$2,710,000 by \$189,700, and the 4 mill \$2,168,000 pass through feature by \$151,760 per biennium. However, refund rates of 10 or 15 percent or possibly higher should not be ruled out, since a recent five mill increase in the wheat checkoff in the state of Oklahoma caused refund rates to escalate from less than 10 percent to nearly 25 percent. The resulting disruption created considerable uncertainty in the stability of that state's primary wheat organization and the research and market promotion programs it supports.

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.*

Expenditures associated with this proposal would include the forwarding of 80 percent of the proposed increase in funding or \$2,168,000 to the two unnamed trade associations as stated in section five of HB 1486. However, potential incidental costs for formulation or oversight of addition contract language and associated clerical and audit requirements may also need to be considered.

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.*

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Agency: ND Wheat Commission
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