

**NORTH CAROLINA GENERAL ASSEMBLY**

**LEGISLATIVE FISCAL NOTE**

**BILL NUMBER:** H.B. 1009

**SHORT TITLE:** Funds for Agricultural Research

**SPONSOR(S):** Representatives Hill, Brown, Mitchell, Yongue, and Bonner.

**FISCAL IMPACT**

	<b>Yes (X)</b>	<b>No ( )</b>	<b>No Estimate Available ( )</b>		
	<b><u>FY 1999-00</u></b>	<b><u>FY 2000-01</u></b>	<b><u>FY 2001-02</u></b>	<b><u>FY 2002-03</u></b>	<b><u>FY 2003-04</u></b>
<b>REVENUES</b>					
<b>General Fund</b>		<b><u>* No General Fund Impact *</u></b>			
<b>N.C. Agricultural Foundation</b>		<b>\$187,500</b>	<b>\$375,000</b>	<b>\$375,000</b>	<b>\$375,000</b>

**PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:** N.C. Department of Agriculture, N.C. Agricultural Foundation, North Carolina State University.

**EFFECTIVE DATE:** The act is effective when it becomes law. The increased assessment shall not be levied nor collected before January 1, 2001.

**BILL SUMMARY:** Currently farmers, producers, and growers of agricultural commodities pay a \$0.10 assessment on each ton of mixed fertilizers, commercial feed, and the ingredients for feed and fertilizer. This assessment is added to the wholesale purchase price. Lime and land plasters are exempt from the assessment. The assessment was levied after a required referendum vote of eligible farmers and producers. The levy must be renewed by referendum every six years. The proceeds of the assessment are collected by the Department of Agriculture and deposited in the North Carolina Agricultural Foundation. The bill increases the assessment on these items to \$0.15 per ton.

**ASSUMPTIONS AND METHODOLOGY:** Funds from the assessment are deposited with the North Carolina Agricultural Foundation, Inc. The Agricultural Foundation is a non-profit, charitable and educational corporation as defined in Internal Revenue Service code 501(c) 3. The Agricultural Foundation was formed in 1944 “to aid and promote, by financial assistance and otherwise, all types of education and research in agriculture at or through the North Carolina State University at Raleigh.” North Carolina State University administers the program.

According to documents from N.C. State University, total cash receipts for the Foundation were approximately \$9.5 million in 1998. This was a significant increase from the \$6.2 million experienced the previous year. Approximately \$700,000 - \$775,000 of this amount came from the \$0.10 assessment on mixed fertilizers and commercial feed. This assessment is generally referred to in the agricultural community as “nickels for know how”.

Officials at N.C. State University expect “nickels for know how” income to continue to hover at the \$700,000 - \$775,000 range for the next five years. Assuming the farmers approve the fifty-percent increase (from \$0.10 to \$0.15 per ton), the added revenue generated by the bill will be approximately \$375,000.

Under current law farmers must vote on the “nickels for know now” funding every six years. The next referendum must be held in 1999. Generally voting is done in October or November. For the new rate, or any rate, to apply the measure must pass with a 2/3-majority vote. N.C. State reports that the referendum has always been endorsed by at least 90% of those voting. Therefore, Fiscal Research assumes, for the purposes of the note, that this measure will also be approved. The 2000-01 fiscal impact has been adjusted to account for the January 1 effective date.

**FISCAL RESEARCH DIVISION 733-4910**

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**APPROVED BY:** Tom Covington

**DATE:** Monday, May 10, 1999



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