

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: H.B. 1010 – Agriculture Committee Substitute

SHORT TITLE: Cotton Gins, Warehouses, Merchants.

SPONSOR(S): Rep. Hill, et al

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 1999-00</u>	<u>FY 2000-01</u>	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>
REVENUES	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400
EXPENDITURES					
Dept. of Agriculture					
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: North Carolina Department of Agriculture.					
EFFECTIVE DATE: January 1, 2000.					

BILL SUMMARY: The legislation requires that all cotton gins, cotton merchants, cotton warehouses and cotton marketing cooperative associations that gin, sell, or warehouse cotton register with the state. They must also pay a \$25.00 annual fee. The fee is due on July 1 of each year. The registration must be conspicuously displayed at the place of business. The bill also requires that registration applications for cotton warehouses also include a bond of \$300,000. No bond is required if the person involved is licensed and bonded under the U.S. Warehouse Act. Additionally the bill directs that gins, merchants, warehouses and cooperative associations maintain transaction records for seven years. Cotton gins must also, within 48 hours of ginning, make documents available to those who provided the cotton, showing the bale number and weight for each bale ginned. The bill also requires that gins, merchants, warehouses and cooperative associations get written consent from the producer before the product is sold or committed. The same organizations must also assist the Agriculture Commissioner and his agents when inspecting records or weighing cotton bales. Violation of any of the recording, sale, or assistance provisions is grounds for denial, suspension, or revocation of registration. Engaging in this business without the appropriate registration is punishable as a Class 2 misdemeanor. The Commission is authorized to apply for an injunction to prevent violations of the act.

ASSUMPTIONS AND METHODOLOGY: Under the legislation, each cotton gin, warehouse, merchant, and cooperative engaged in one or more of these businesses must register and pay a \$25.00 annual fee. The Department of Agriculture reports that there were 48 cotton gins, 28 cotton warehouses, and 20 cotton merchants in 1997. Assuming each paid the \$25.00 annual fee, the potential revenue is as follows:

	Number	Potential Revenue
Cotton Gins	48	1,200
Cotton Warehouses	28	700
Cotton Merchants	20	500
TOTAL	96	2,400

The fiscal note assumes no significant growth in the number of gins, warehouses, or merchants in the next five years.

The bill also makes operating a gin, warehouse or merchant without a registration a Class 2 misdemeanor. Because the maximum prison time associated with a Class 2 misdemeanor is 60 days, and the number of violations is expected to be extremely low, Fiscal Research does not anticipate the bill will create a cost to the prison system.

The Department of Agriculture reports that the registration and inspection processes outlined in the bill can be handled by existing staff.

TECHNICAL CONSIDERATIONS: none

FISCAL RESEARCH DIVISION 733-4910

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DATE: Tuesday, June 29, 1999



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