

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION  
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1421

2001 HOUSE AGRICULTURE

HB 1421

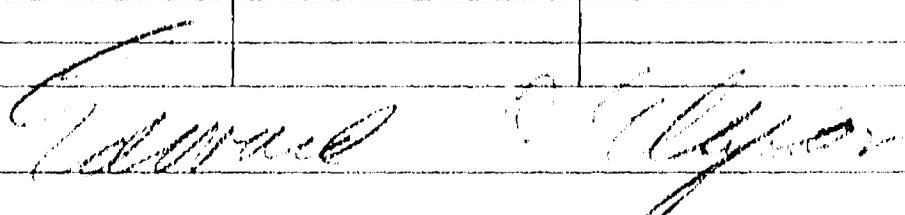
2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1421 A

House Agriculture Committee

Conference Committee

Hearing Date 2--08--01

Tape Number	Side A	Side B	Meter #
TWO	A		842 TO 5755
Committee Clerk Signature 			

Minutes:

CHAIRMAN NICHOLAS: WE WILL OPEN ON HB 1421

REPRESENTATIVE LEMIEUX: This is a bill that addresses the wheat tax. The questions that we ask are what are we getting out of the wheat commission? I know that the people there work hard. This is a bill that is an attempt to ask some questions, what is happening to our marketers? The frustrations out in ND and around the world in wheat country we see our prices continue to go down and we are spending money to sell a product into a world market and our those money's, are we getting the bang for the buck or should we be spending the money in developing those products rather than selling a product that no seems to want. Maybe we are predicting to much of it or whatever. This bill is an attempt to have the wheat commission come in and visit with this committee and it was a way to do it.

CHAIRMAN NICHOLAS: Representative Lemieux, I would have just one question. Last session as you remember we put a couple mills on and hopefully it with the idea that the commission would do some things on trade which they did. We are having some success. This would perhaps with the \$900,000.00 revenue loss it would impede some of those kinds of efforts. Are you concerned about that?

REPRESENTATIVE LEMIEUX: There is concern from the people back home. There concern is how are our dollars in the wheat commotion being spent? Wheat is not profitable. Yet we see the expenditures and fee increases in what it cost to run the office. Some of the county representatives have indicated that they would like to have some impute into the process. If they don't like what is going on, they put new people in. We are seeing some grassroots movement to address some of those issues. We have to educate the producers as to what we are doing. There is not enough answering to the people back home.

REPRESENTATIVE KEMPENICH: This bill is to put a focus on the state would look a little harder on how we can get closer to the consumer. Last year there were some complaints gin on last year about the quality of the wheat in the NW part of the state and felt that selling \$.60 cents wheat, that is was unfair situation as to what was being charged off and that is what this talks about. We should look at alternatives.

CHAIRMAN NICHOLAS: This would be a \$900 thousand, I would be concerned that with that loss in revenue to be able to preece those efforts. Comment please.

KEMPENICH: It is hard to keep a budget anymore. The point being that a lot of the producers can't keep a budget either. We are doing futuristic thinking. You have to save from the good year for the bad year.

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House Agriculture Committee

Bill/Resolution Number HB 1421A

Hearing Date 2--8--01

CHAIRMAN NICHOLAS: ANYONE IN SUPPORT OF THIS BILL.

DON NELSON: DAKOTA RESOURCE COUNCIL: WE SPEAK IN FAVOR OF  
HB 1421. Please see printed testimony.

REPRESENTATIVE BERG: You make a real strong point. We should reward the  
commission for increasing prices and have them pay the consequences with lower prices,  
however, I am struggling with that because really what we want is just the opposite of that.  
If wheat is \$6.00 per bushel, maybe we don't need the wheat commission. When it is \$2.00 per  
bushel we really want them spending more energy doing what they can to increase yields or  
price. Please comment:

DON NELSON: I don't see a time when we don't have the wheat commission. Cost of  
production of wheat is around \$4.50 a bushel. When prices are low it would give them more  
incentive to raise those prices. If I am marketing for you and you are just going to give me a set  
amount, I can't work my way up and get a better wage. I testified for the two mills.

REPRESENTATIVE BERG: Talked about the refund with Don. The application for the  
refund. Don said that he has never received a refund.

CHAIRMAN NICHOLAS: ANY OPPOSITION?

TOM WILEY: I raise wheat. I am not against the Bill. I just think the wheat commission  
should tie cost to price. I think this is a good idea.

REPRESENTATIVE JOHNSON: FURTHER TESTIMONY.

DONALD BIG: We should have a mill base. Farmers we want it based on value.

REPRESENTATIVE JOHNSON: TESTIMONY TO OPPOSE:

ALAN LEE NDWC Producer from Berthold. I am here to testify in opposition to the Bill.

Supply and demand have a lot to do with the price of wheat. Commission supports research. We work on Global issues. We are not responsible for either \$6.00 or \$2.00 wheat. There is a lot of wheat out there. We need to stay out front. The bill would affect the work we do. A big swing in income will affect our efforts our effectiveness and the programs we support. I ask you to leave the Bill alone. We do have an over supply of wheat. We fund research.

REPRESENTATIVE LEMIEUX: How many dollars dose the wheat commission have in reserves right now.

ALAN: Approximately \$900,000.00. Four months operating . Research is about \$270,000.00. this year. Staff raises are what ever the State of ND raises state employees. About 5% every two years.

BRUCE LEWALLEN: USDGA Comment and points. When we are in tough economic times I find it hard to believe that having our bins empty and by asking for this quarter percent of value of wheat, that is going to make a difference. Would this bill have brought up if we had \$6.00 dollar wheat. When we have tough times we want to ban an organization. We try to get people involved. My neighbors will not get involved. There all coming back on the wheat commission when we have bad times. They want to know what we are doing.

BRUCE FRETAG: Vice Chairman of ND grain growers. I see the work the wheat commission does is good. We think it should be left the way it is. We think it would be counter productive. Either way the board work hard. We urge the defeat of the Bill.

BRIAN KARAMER: NDFBUREAU: We stand in opposition to the Bill All of the arguments have been made.

LOWELL BERNTSON: Agriculture Coalition: We oppose the Bill.

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House Agriculture Committee

Bill/Resolution Number HB 1421A

Hearing Date 2--8--01

STEVE STREGE: ND GRAIN DEALERS ASSOCIATION:

We oppose this bill. Primarily to cutting the funding.

CONTINUED ON 1421 B

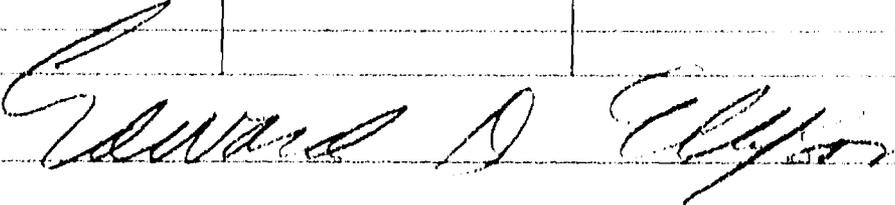
2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1421 B

House Agriculture Committee

Conference Committee

Hearing Date 2--8--01

Tape Number	Side A	Side B	Meter #
THREE	A		00 TO 657
Committee Clerk Signature 			

Minutes:

HB 1421 CONTINUED:

CHAIRMAN NICHOLAS: ANYONE ELSE WISHING TO TESTIFY IN OPPOSITION TO 1421?

FROELICH: Is it possible that you can simplify this check-off

NEIL: The process as it stands at this point is apply for an application in person.

FROELICH: When we had our joint meeting with the House and Senate. If my memory serves me correctly you took in about 4,000,000.00 dollars the last biennium.

NEIL FISCHER: Yes we took in a little in excess of that amount.

FROELICH: Well Mr. Fischer when I was looking at all the check-off programs, something really stuck out. Maybe you can answer this. A lot of the check-off programs had five to six percent administrative fees. When I got to the wheat check-off, it was 17 percent.

NEIL FISCHER; I have a chart that shows 8 percent,

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House Agriculture Committee

Bill/Resolution Number HB 1421

Hearing Date 2--8--01

REPRESENTATIVE FROELICH: The sheet that I have says the administrative fees is about 17%. If you have something else, I'd like to take a look at it.

NEIL FISCHER: I have the budget here in front of me. I don't think that I follow the train of thought that here on your 17%.

FROELICH: What I am saying is the other commodity groups have 5 to 6 percent. If yours is double that then I have a problem with that. I'd like to see your figures and I'd be glad to sit down and talk with you about it.

NEIL FISCHER: I'd be glad to sit down and talk with you about it. At the wheat commission we have a highly qualified staff.

VICE CHAIRMAN JOHNSON: Neil, After you raised the wheat tax did you see increase in refunds request.

NEIL FISCHER: We did see an increase in the refund request. About 4 to 5 percent.

The staff that we have here in the ND Wheat Commission is very hands on with these issues.

We do a lot of the work ourselves with the ND WHEAT COMMISSION. We have people that do the basic work overseas because we are qualified. We may have more staff than many other states but it is because the work is taken seriously. Again qualified people.

CHAIRMAN NICHOLAS: Any additional testimony? O.K. WE WILL CLOSE THE

HEARING ON HB 1421 1A:657

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1421

House Agriculture Committee

Conference Committee

Hearing Date February 15, 2001

Tape Number	Side A	Side B	Meter #
1	x		823 to 1062
Committee Clerk Signature			

*Edward D. Clifton*

Minutes:

Chairman Nicholas: Open your books to HB 1421. This is a bill that would change the way wheat caps are levied in ND. It would be a reduction to the Wheat cap fund of about \$900,000 per year.

Rep. Renner: I would move for a Do Not Pass.

Rep. Johnson: I second.

Chairman Nicholas: Is there any discussion?

Rep. Renner: I feel that we in the intentions I can see the merits of these things but probably also some frustration. To mention the same amount of money whether the price of wheat is \$3 or \$2 for everybody, this would impact our ability to meet programs if your income would fluctuate at least by \$900,000 or more, they would be forced to set aside a large portion of money to manage for those other years. The funds would always be under the scrutiny of the legislature. I think it would be to leave it as it is.

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House Agriculture Committee  
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Hearing Date February 15, 2001

Vice Chair Johnson: Along the same lines as long as we have the ability to get a refund on our check-off, I would be in favor of leaving it the way it is.

Chairman Nicholas: Any other questions? We have a motion for a Do Not Pass on HB 1421. The clerk will take the roll.

**MOTION FOR A DO NOT PASS**

**YES, 10            NO, 2**

**3 ABSENT AND NOT VOTING**

# 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
<b>Revenues</b>				(\$900,000)		(\$900,000)
<b>Expenditures</b>				(\$900,000)		(\$900,000)
<b>Appropriations</b>						

**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.*

<b>Name:</b>	Neal Fisher	<b>Agency:</b>	ND Wheat Commission
<b>Phone Number:</b>	328-5111	<b>Date Prepared:</b>	02/05/2001

