

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7156

BILL NUMBER: HB 1247

DATE PREPARED: Jan 25, 2000

BILL AMENDED: Jan 24, 2000

SUBJECT: Dairy Industry Development Board.

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**FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL**

IMPACT: State

Summary of Legislation: This bill contains the following provisions.

Indiana Dairy Industry Development Board: This bill creates the Indiana Dairy Industry Development Board and establishes the procedure for selection of board members and operation of the board. The Board must file an annual report. The bill establishes a procedure for the initial selection of the board and terms of initial board members.

Assessment on Milk: This bill imposes an assessment of \$0.10 per hundredweight on all milk produced in Indiana for commercial use.

Dairy Industry Development Fund: This bill establishes the Dairy Industry Development Fund and requires that all assessments be deposited in the fund. The Indiana Dairy Industry Development Board may use money from the fund to sponsor projects with any private or public organization for advertising and promotion, market research, nutrition and product research and development, and nutrition and educational programs.

Effective Date: January 1, 2000 (retroactive).

Explanation of State Expenditures: *Indiana Dairy Industry Development Board:* The Commissioner of Agriculture appoints Board members. Board members are entitled to reimbursement for traveling expenses and other expenses incurred in connection with the members' duties. However, Board members are not entitled to per diem. Expenses of the Board will be paid from the milk assessments described below. Currently there is a federal Board that is located in Indiana but is appointed by the USDA. Funds from milk assessments pay for the federal Board. The proposal will result in money previously used to pay for the federal board to be used to pay for the state board. The Board is authorized to employ personnel and contract for services as needed. However, administrative expenses of the Board may not exceed 5% of annual

assessments collected.

Promoting Milk: The Board must use money deposited in the Indiana Dairy Industry Development Fund to fund an active, ongoing, qualified program that promotes milk, conducts market and product research, and provides educational programs related to the consumption of milk. Milk Promotion Services of Indiana is the only entity in the state that qualifies for funding. (See State Revenues below.)

Explanation of State Revenues: *Assessment on Milk:* The bill provides for a \$0.10 per hundredweight assessment on all milk produced for commercial use in Indiana. (The Board must add a penalty of 1.5% per month on unpaid assessments. The Board may also maintain a court action to collect assessment and penalties.) Producers are to submit the assessments monthly to the Board. The Board must remit assessments to the Treasurer of State for deposit in the Indiana Dairy Industry Development Fund. The Treasurer must invest the money in the fund not currently needed to meet the obligations of the fund in the same manner as other public funds are invested. Interest that accrues from investments are to be deposited into the fund. Money in the fund at the end of the fiscal year does not revert to the State General Fund.

Approximately 2 B pounds of milk are produced in Indiana. Currently, approximately \$1 M goes to the National Dairy Board with \$2 M distributed to the U.S. Department of Agriculture, which distributes the money to Milk Promotion Services of Indiana. Under the proposal, the same amount of revenue would be collected. Approximately \$1 M would continue to go to the National Dairy Board. However, revenue generated from the remaining \$0.10 would be deposited with the State Board which would distribute the money to Milk Promotions Services.

Background Information: Currently, milk producers are assessed \$0.15 per hundredweight of milk. Of this amount, \$0.05 is sent to the National Dairy Board and used for national and international promotion of milk. The remaining \$0.10 is sent to the U.S. Department of Agriculture, which distributes the money to Milk Promotion Services of Indiana for state promotion of milk.

The federal milk marketing order that outlined the current funding mechanism is scheduled to be phased out or changed by January 1, 2000. The proposal will provide for continued funding for state market development, advertising and promotion, and research programs. Without the proposal, milk producers or milk coops would have to voluntarily direct that \$0.10 of the \$0.15 is to be sent to Milk Promotion Services. Otherwise, revenue raised from the entire \$0.15 would be forwarded to the National Dairy Board.

Persons who violate the provisions of this bill commit a Class C misdemeanor. If additional court cases occur and fines are collected, revenue to both the Common School Fund and the state General Fund would increase. The maximum fine for a Class C misdemeanor is \$500. Criminal fines are deposited in the Common School Fund. If the case is filed in a circuit, superior or county court, 70% of the \$120 court fee that is assessed and collected when a guilty verdict is entered would be deposited in the state General Fund. If the case is filed in a city or town court, 55% of the fee would be deposited in the state General Fund.

Explanation of Local Expenditures: A Class C misdemeanor is punishable by up to 60 days in jail. The average daily cost to incarcerate a prisoner in a county jail is approximately \$44.

Explanation of Local Revenues: If additional court actions occur and a guilty verdict is entered, local governments would receive revenue from the following sources: (1) The county general fund would receive 27% of the \$120 court fee that is assessed in a court of record. Cities and towns maintaining a law enforcement agency that prosecutes at least 50% of its ordinance violations in a court of record may receive

3% of court fees. If the case is filed in a city or town court, 20% of the court fee would be deposited in the county general fund and 25% would be deposited in the city or town general fund. (2) A \$3 fee would be assessed, and if collected would be deposited into the county law enforcement continuing education fund. (3) A \$2 jury fee is assessed, and if collected, would be deposited into the county user fee fund to supplement the compensation of jury members.

State Agencies Affected: Commissioner of Agriculture and the Treasurer of State.

Local Agencies Affected: Trial courts, local law enforcement agencies.

Information Sources: Myrna Metzger, Indiana Milk Promotions Services (317) 335-9214.