



Legislative  
Council Staff

*Nonpartisan Services for Colorado's Legislature*

HB 20-1213

# FINAL FISCAL NOTE

|                         |  |                        |   |
|-------------------------|--|------------------------|---|
| <b>Drafting Number:</b> | LLS 20-0521                                      | <b>Date:</b>           | August 26, 2020   |
| <b>Prime Sponsors:</b>  | Rep. Young; Pelton<br>Sen. Rodriguez; Sonnenberg | <b>Bill Status:</b>    | Signed into Law   |
|                         |  | <b>Fiscal Analyst:</b> | Clare Pramuk   303-866-2677<br>clare.pramuk@state.co.us |

**Bill Topic:** SUNSET COMMODITY HANDLER AND FARM PRODUCTS ACTS

|                                  |   |  |
|----------------------------------|---|--|
| <b>Summary of Fiscal Impact:</b> | <input checked="" type="checkbox"/> State Revenue     | <input type="checkbox"/> TABOR Refund            |
|                                  | <input checked="" type="checkbox"/> State Expenditure | <input type="checkbox"/> Local Government        |
|                                  | <input type="checkbox"/> State Transfer               | <input type="checkbox"/> Statutory Public Entity |

**Sunset bill.** This bill continues and combines the Commodity Handler Act and the Farm Products Act in the Department of Agriculture, which are scheduled to repeal on July 1, 2020. State fiscal impacts include both increased workload from changes to the regulatory program under the bill, a minimal reduction in revenue, as well as the continuation of the regulatory programs' current revenue and expenditures. The combined regulatory program is continued through September 1, 2025.

**Appropriation Summary:** No appropriation is required.

**Fiscal Note Status:** The fiscal note reflects the enacted bill.

**Table 1  
State Fiscal Impacts Under HB 20-1213**

| New Impacts                |            | FY 2020-21 | FY 2021-22 |
|----------------------------|------------|------------|------------|
| Revenue                    | Cash Funds | (\$7,000)  | (\$7,000)  |
| Expenditures               |            | -          | -          |
| TABOR Refund               |            | -          | -          |
| Continuing Program Impacts |            | FY 2020-21 | FY 2021-22 |
| Revenue                    | Cash Funds | -          | \$252,226  |
| Expenditures               | Cash Funds | -          | \$273,317  |
|                            | FTE        | -          | 3.7 FTE    |
| TABOR Refund               |            | -          | -          |

\* Table 1 shows the new impacts resulting from changes to the program under the bill and the continuing impacts from extending the program beyond its current repeal date. The continuing program impacts will end if the bill is not passed and the program is allowed to repeal.

## Summary of Legislation

This bill combines the Commodity Handler Act and the Farm Products Act, which are both regulated by the Department of Agriculture, and continues the combined act through September 1, 2025. The current repeal date is July 1, 2020. The bill increases a dealer's maximum bond or irrevocable letter of credit from \$200,000 to \$1.0 million and requires that financial statements be prepared by a certified public accountant. The bill creates a definition for a small-volume commodity handler that conforms with the existing statutory definition of a small-volume dealer. After a stakeholder process, the Commissioner of Agriculture is required to promulgate rules on the following:

- financial assurance requirements, including a schedule for applicants to file a bond with the commissioner;
- requirements for maintaining records;
- initial and renewal license requirements;
- requirements for credit sale contracts;
- requirements for warehouse operations; and
- the capacity of animal feeding operations.

By November 1, 2021, the department must report to the General Assembly on its progress in combining the regulatory programs, outreach efforts, industry trends, and challenges faced by the regulatory program. The department can also recommend legislative changes to address those challenges.

## Background

The Commissioner of Agriculture regulates commodity handlers and businesses that purchase and store farm products to ensure that sellers are compensated for their products. This is accomplished through inspections, financial audits, and enforcement of bonding requirements.

## Continuing Program Impacts

Based on the department's current budget for these programs, the Department of Agriculture will have continued revenue of \$252,226 and expenditures of \$273,317 to regulate commodity handlers and farm products businesses. If this bill is enacted, current revenue and expenditures will continue for the regulatory program starting in FY 2021-22. Although the continuing revenue is subject to the state TABOR limits, the fiscal note does not identify a change to TABOR refunds because the revenue is already accounted for in the Legislative Council Staff quarterly revenue forecast. If this bill is not enacted, the regulatory program will end on July 1, 2021, following a wind-down period, and state revenue and expenditures will decrease starting in FY 2021-22 by the amounts shown in Table 1. The changes to the program that increase workload are discussed in the State Expenditure section below.

## State Revenue

By exempting small-volume commodity handlers from licensure, the bill will reduce annual revenue by \$7,000. This results from eliminating the \$175 fee on 40 current small-volume commodity handlers.

## **State Expenditures**

This bill will increase workload for the Department of Agriculture to promulgate rules. The workload increase can be accomplished within existing appropriations.

## **Effective Date**

The bill was signed into law by the Governor and took effect on June 29, 2020.

## **State and Local Government Contacts**

Agriculture