



## **Economic Impact Analysis Virginia Department of Planning and Budget**

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### **2 VAC 5-440 – Rules and Regulations for Enforcement of the Virginia Pest Law – Cotton Boll Weevil Quarantine**

**Department of Agriculture and Consumer Services**

March 1, 2013

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### **Summary of the Proposed Regulation**

The Virginia Board of Agriculture and Consumer Services (Board) proposes to amend its regulations for the quarantine of cotton boll weevils to change the penalty for non-reporting and underreporting of cotton acreage.

### **Result of Analysis**

Benefits likely outweigh costs for this regulatory action.

### **Estimated Economic Impact**

Current regulations for the quarantine of boll weevils require cotton farmers to pay a per acre fee to cover the costs of the boll weevil eradication program. Farmers who underreport their acreage or don't report their acreage at all must currently pay a \$5.00 penalty for each acre not reported. The Board now proposes to eliminate this \$5.00 per acre penalty and instead charge farmers that underreport or fail to report their cotton acreage a penalty equal to 10% of the per acre fee that these farmers must pay. The fee per acre for the eradication program is currently 50 cents per acre so the penalty under these proposed regulations would be 5 cents per unreported acre which is considerably lower than the \$5.00 per acre penalty that cotton farmers are subject to now. The fee per acre for this eradication program varies from year to year and is set at a level that is projected to cover the cost of the program. The Virginia Department of Agriculture and Consumer Services (VDACS) reports that the costs of this program have generally decreased over time "due to 1) the improved efficiency in program operations and 2) the reduction of cotton boll weevil trap density as the cotton boll weevil infestations move farther from Virginia".

Cotton farmers will benefit from these changes as the penalty that they have to pay will decrease by several orders of magnitude. VDACS reports that the average cotton acreage for a cotton producing farm is 308 acres. A farmer with an average number of acres who fails utterly to report his acreage to VDACS would have to pay a penalty of \$1,540 under current regulations; under these proposed regulations, that farmer's penalty would fall to \$15.40. This farmer will be better off at all program fee levels below \$50.00 per acre (the point at which the 10% penalty would be equal to the current penalty of \$5.00 per acre). Since program costs show a long term decreasing trend, farmers are likely to continue benefiting from the proposed new penalty structure. Since the program fees are set each year to cover the projected cost of the program, the integrity of the eradication program is unlikely to be adversely effected by the proposed new penalty structure.

### **Businesses and Entities Affected**

VDACS reports that there are approximately 375 cotton growers in Virginia. All of these entities will be affected by these proposed changes.

### **Localities Particularly Affected**

Localities in which cotton grows are likely to be particularly affected by these proposed regulations.

### **Projected Impact on Employment**

This proposed regulatory action is unlikely to have an impact on employment in the Commonwealth.

### **Effects on the Use and Value of Private Property**

Cotton farms in Virginia are likely to see a very marginal increase in the value on account of these proposed regulations that decrease the effect of one regulatory burden that farmers are subject to.

### **Small Businesses: Costs and Other Effects**

Small business farmers are unlikely to incur any costs on account of these regulatory changes.

## **Small Businesses: Alternative Method that Minimizes Adverse Impact**

Small business farmers are unlikely to incur any costs on account of these regulatory changes.

## **Real Estate Development Costs**

These proposed regulations will likely have no effect real estate development costs in the Commonwealth.

## **Legal Mandate**

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 2.2-4007.H of the Administrative Process Act and Executive Order Number 14 (10). Section 2.2-4007.H requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. Further, if the proposed regulation has adverse effect on small businesses, Section 2.2-4007.H requires that such economic impact analyses include (i) an identification and estimate of the number of small businesses subject to the regulation; (ii) the projected reporting, recordkeeping, and other administrative costs required for small businesses to comply with the regulation, including the type of professional skills necessary for preparing required reports and other documents; (iii) a statement of the probable effect of the regulation on affected small businesses; and (iv) a description of any less intrusive or less costly alternative methods of achieving the purpose of the regulation. The analysis presented above represents DPB's best estimate of these economic impacts.