



Economic Impact Analysis Virginia Department of Planning and Budget

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

Department of Agriculture and Consumer Services

November 9, 2001

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 9-6.14:7.1.G of the Administrative Process Act and Executive Order Number 25 (98). Section 9-6.14:7.1.G 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. The analysis presented below represents DPB's best estimate of these economic impacts.

Summary of the Proposed Regulation

The Virginia Department of Agriculture and Consumer Services (VDACS) proposes to:

- 1) eliminate the mandate for the destruction of cotton crop for non-payment of program fees, 2) reduce penalties assessed on farm operators for the late payment or non-payment of fees from \$10.00 per acre to \$5.00 per acre, and 3) establish July 1 as the official reporting and payment date for acreage assessments.

Estimated Economic Impact

Under the current regulations when a farm operator fails to pay fees, VDACS is required to destroy his cotton crop and bill the grower for the cost of destroying his crop. VDACS proposes to amend the regulatory language so that the agency retains the option to destroy the cotton crop and bill the grower for the cost, but also to allow the agency to consider alternative actions aimed at the collection of fees that would not result in the loss of the cotton crop. For

example, the agency could pursue traditional debt collection procedures prior to enforcing a threat of crop destruction. In practice, VDACS has only once come close to destroying crops since the program's inception in 1986.¹ In that case the recalcitrant grower eventually relented and paid their assessed fees and penalty just prior to the enforcement of the crop destruction threat. Thus, the proposed language essentially describes the agency's actual policy as applied. Since the agency has not strictly followed the current language, the proposed change will not likely have a significant impact. To the extent that the language may have been strictly adhered to in the future, the proposed change could be beneficial in that solutions less costly than crop destruction can be reached to encourage payment of fees and penalties.

VDACS has found that the current \$10.00 per acre penalty assessed for the late payment or non-payment of fees generates more revenue than is needed to run the boll weevil eradication and reintroduction prevention program. Thus, the agency proposes to reduce the penalty to \$5.00 per acre. The smaller penalty will clearly be beneficial for farm operators who are late paying fees. The lower penalty may increase the probability that farm operators are late paying fees. Assuming that the agency is correct in that the smaller penalty will provide sufficient funds to run the program, this proposed amendment will create a net benefit.

Under the current regulations, VDACS sets the due dates for the official reporting of acreage and payment of assessments on an annual basis. The agency proposes to establish July 1 as the official reporting and payment date for acreage assessments. Setting a fixed date in the regulations for the official reporting of acreage and payment of assessments allows the cotton growers to better plan their planting and financial activities multiple years in advance. Since there is no cost associated with setting a fixed date, this proposed change produces a net benefit.

Businesses and Entities Affected

The proposed amendments affect the estimated 500 cotton growers² in the Commonwealth.

Localities Particularly Affected

The proposed amendments primarily affect cotton growers, who are largely located in southeastern Virginia.

¹ Source: VDACS

Projected Impact on Employment

The proposed amendments are unlikely to affect employment.

Effects on the Use and Value of Private Property

The reduced penalty for late fee payments may encourage more farm operators to pay their fees late. The reduced penalty may also slightly increase the value of some farms. The establishment of a set date for the official reporting and payment date for acreage assessments may improve or increase planning activities to a small degree.

² Source: VDACS