

Department of Planning and Budget 2005 Fiscal Impact Statement

1. **Bill Number:** HB1947

House of Origin	<input type="checkbox"/> Introduced	<input checked="" type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input checked="" type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. **Patron:** Saxman

3. **Committee:** Agriculture, Chesapeake, and Natural Resources

4. **Title:** Agricultural Enterprise Act of 2005; penalty

5. **Summary/Purpose:** The bill directs the Department of Agriculture and Consumer Services to establish, as an element of the Office of Farmland Preservation, agricultural enterprise districts upon application by localities with established agricultural or forestal districts, locally designated agricultural enterprise districts, or purchase of development rights programs. “Qualified agricultural businesses” and “qualified farm businesses” located in such districts may apply to the department for assistance in developing a new business plan and grant funding for implementation of that plan, up to a maximum \$500,000. “Qualified agricultural businesses” are agricultural businesses that establish a new business operation or expand and improve an existing operation within a designated agricultural enterprise district. “Qualified farm businesses” are businesses that establish a new agricultural or forestal production operation or expand such an existing operation within an agricultural enterprise district. The substitute bill includes an enactment clause that delays the effective date of the bill to January 1, 2007, provided that funding is included in the Appropriation Act for fiscal years 2006 – 2008. The enactment clauses also require a report on initial program development from the Secretary of Agriculture and Forestry by January 1, 2006.

6. **Fiscal impact:** Estimates are preliminary.

6a. **Expenditure Impact:** (See item 8 for explanation)

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2004-05			
2005-06	\$0	---	---
2006-07	\$670,000	2	General fund
2007-08	\$2,340,000	4	General fund
2008-09	\$2,340,000	4	General fund
2009-10	\$2,340,000	4	General fund
2010-11	\$2,340,000	4	General fund

6b. **Revenue Impact:** Unknown at this time, see item 8.

7. **Budget amendment necessary:** No.

8. **Fiscal implications:** The bill provides that localities may apply to the Department of Agriculture and Consumer Services for designation of districts or areas as “agricultural

enterprise districts.” In addition, any qualified agricultural business or qualified farm business within an agriculture enterprise district may apply to the department for assistance with developing a business plan and a grant to implement the plan. Grants to implement the business plans are set at 50 percent of costs, not to exceed \$500,000 per grant.

It is difficult to determine the fiscal impact of the bill, given the uncertainty of the number of counties that might request agriculture enterprise designations and the number of farm businesses and agricultural businesses that would request business planning services and implementation grants from the Department of Agriculture and Consumer Services. Because there is no minimum investment requirement for qualifying businesses to receive planning assistance or to be eligible for grant funds, it is likely that there will be a large demand for these services and grants.

The department estimates that program start-up will require 2 full-time positions, one for the administration of the agriculture enterprise districts and a second position to manage the first year of the business planning assistance and implementation grants. Total costs for the positions are estimated at \$170,000. In addition, it is estimated that \$500,000 in grant funding would be needed for the first year. Because of the expected demand for the grant funding and anticipated high participation in the program, the department estimates that four positions would be needed in subsequent years, and the grant allocation would need to be increased to at least \$2 million per year, based on the experience of the department with the agriculture community.

Implementation of the program may result in increased tax revenue to the state because of improved economic viability for the qualified businesses. However, any increase in general fund revenue cannot be determined.

- 9. Specific agency or political subdivisions affected:** Department of Agriculture and Consumer Services, Department of Forestry, the 28 counties with agricultural and forestal districts or purchase of development rights programs, and the City of Virginia Beach.

10. Technical amendment necessary: No.

11. Other comments: None.

Date: 2/11/05 kbs

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cc: Secretary of Agriculture and Forestry