



STATE OF VERMONT
JOINT FISCAL OFFICE

MEMORANDUM

To: Janet Ancel, Chair, House Committee on Ways and Means
Mitzi Johnson, Chair, House Committee on Appropriations
Tim Ashe, Chair, Senate Committee on Finance
Jane Kitchel, Chair, Senate Committee on Appropriations

From: Daniel Dickerson, Fiscal Analyst

Date: January 12, 2016

Subject: Fertilizer Tonnage Fees

Background

Prior to the passage of Act 64 of 2015, the Agency of Agriculture, Food and Markets (Agency) was authorized by law to levy a fee of \$0.25 per ton on all fertilizers distributed to nonregistrant consumers in the State. The Agency was also authorized to levy a minimum fee of \$50 on all distributors of fertilizer in the State in the event that the total tonnage fee was less than \$50 (less than 200 tons sold). All fee payments were deposited into a special revolving fund.

Upon the passage of Act 64, a new tonnage fee was established of \$30 per ton on non-agricultural fertilizer only in addition to the existing \$0.25 per ton fee, applicable to all fertilizers. Revenues from the new tonnage fee are deposited into a newly created agricultural water quality special fund, while revenues from the existing tonnage fee continue to be deposited in the special revolving fund. The original \$50 minimum fee was struck from the law and a new minimum fee of \$150 was created, applicable only to distributors of non-agricultural fertilizer. Revenues from the new minimum fee are now deposited into the agricultural water quality special fund.

Issue

The original intent of the Agency in 2015 was to apply the \$150 minimum fee to distributors of all fertilizers, not solely non-agricultural fertilizers. The Agency's current request is that the language from Act 64 regarding the minimum fee be updated to reflect its original intent and the Agency would also like the proceeds from the minimum fee to be directed to the special revolving fund as was the case prior to Act 64. The Administration incorporated these updates into the budget adjustment request for FY 2016.

Per my conversation with Jim Leland, Director of Agriculture Resource Management at the Agency, in 2013 there were 24 distributors of agricultural fertilizer in the State. Of that number, thirteen distributors sold more than 200 tons of fertilizer and eleven distributors sold less than 200 tons. Those eleven distributors selling less than 200 tons of fertilizer each would have paid the minimum fee of \$50, which would have generated revenue of \$550. If the above proposal is passed into law and the same number of distributors paid the minimum fee then the total revenue would be \$1,650 in FY 2016. However, of the eleven distributors who paid the minimum fee in 2013, five of them distributed both agricultural and non-agricultural fertilizers and would have to pay the minimum fee for FY 2016 under current law. The proposal would only apply the new minimum fee to six additional distributors, based on 2013 numbers, and would result in **\$900 in new revenue in FY 2016.**

Mr. Leland also stated that the Agency would not be opposed to the change being wrapped into the fee bill if that is the preference of the Legislature, rather than the budget adjustment as is currently proposed. The revenues would not normally be collected until the end of the fiscal year.

Cc: Carolyn Branagan, Vice-Chair, House Committee on Ways and Means
Stephen Klein, Chief Fiscal Officer
Maria Belliveau, Associate Fiscal Officer
Stephanie Barrett, Associate Fiscal Officer