

2018-2019

**AGRICULTURE &
FORESTRY
AWARENESS STUDY
COMMISSION**

MINUTES

AGRICULTURE & FORESTRY AWARENESS STUDY COMMISSION

2017-2018 Session

Committee Co-Chairs:

Senator Bill Cook

Senator Brent Jackson

Senator Norman Sanderson

Senator Andy Wells

Representative Mark Brody

Representative Jimmy Dixon

Representative Kyle Hall

Representative Bob Steinburg

Committee Clerks:

Ross Barnhardt

Cameron Dawson

Neva Helms



AGRICULTURE & FORESTRY AWARENESS STUDY COMMISSION
2017-2018 SESSION

Clerks: Ross Barnhardt
Cameron Dawson
Neva Helms



**Senator
Bill Cook**



**Senator
Brent Jackson**



**Senator
Norman Sanderson**



**Senator
Andy Wells**



**Representative
Mark Brody**



**Representative
Jimmy Dixon**



**Representative
Kyle Hall**



**Representative
Bob Steinburg**

Notes:

Ex-Officio and Public
Members Not Pictured.

See Membership Page
for Complete List of
Committee Members



AGRICULTURE & FORESTRY AWARENESS STUDY COMMISSION
2017-2018 SESSION

MEMBERS

		<u>ASSISTANT</u>	<u>PHONE</u>	<u>OFFICE</u>
COOK, Bill	Co-Chair	Jordan Hennessy	715-8293	1026 LB
JACKSON, Brent	Co-Chair	Alexander Fagg	733-5705	2022 LB
SANDERSON, Norman	Co-Chair	Linda Sanderson	733-5706	1127 LB
WELLS, Andy	Co-Chair	Linda Wentz	733-5876	1028 LB
BRODY, Mark	Co-Chair	Neva Helms	715-3029	2219 LB
DIXON, Jimmy	Co-Chair	Michael Wiggins	715-3021	2226 LB
HALL, Kyle	Co-Chair	Cameron Dawson	733-5609	536 LOB
STEINBURG, Bob	Co-Chair	Andrew Bowers	733-0010	301-B LOB

EX-OFFICIO MEMBERS

GENTRY, Jimmy

MCLAURIN, Boyd

PEELE, Mitchell A.

REGAN, Michael S.

TROXLER, Steven

PUBLIC MEMBERS

BEATTY, Albert C.

BERRY JR., Maurice K.

BURNS, David L.

BUTLER, Donald

GRAY, Sue M.

ISLEY, C. Howard

MCCONNELL, Danny

MICHELL, Melvin M.

PADGETTE, Sherwood

SCOTT, Alice H.



ATTENDANCE

Agriculture and Forestry Awareness Study Commission

2017-2018 SESSION

[illegible]



Ross Barnhardt (Sen. Brent Jackson)

From: Cameron Dawson (Rep. Kyle Hall)
Sent: Thursday, January 25, 2018 04:25 PM
To: Cameron Dawson (Rep. Kyle Hall)
Subject: <NCGA> Agriculture and Forestry Awareness Study Commission Meeting Notice for Tuesday, January 30, 2018 at 1:00 PM
Attachments: Add Meeting to Calendar_LINC_ics

NORTH CAROLINA GENERAL ASSEMBLY
Raleigh, North Carolina 27601

January 25, 2018

MEMORANDUM

TO: Members. Agriculture and Forestry Awareness Study Commission
FROM: Sen. W. Brent Jackson, Co-Chair
Rep. James W. Dixon, Co-Chair
Sen. William M. Cook, Co-Chair
Rep. Robert Charles Steinburg, Co-Chair
Rep. Mark A. Brody, Co-Chair
Sen. Norman W. Sanderson, Co-Chair
Sen. W. Andrew Wells, Co-Chair
Rep. Kyle E. Hall, Co-Chair
SUBJECT: Meeting Notice

The **Agriculture and Forestry Awareness Study Commission** will meet at the following time:

DAY	DATE	TIME	LOCATION
Tuesday	January 30, 2018	1:00 PM	544 LOB

Rep. Kyle Hall will Chair.

Parking for non-legislative meeting attendees is available in the visitor parking deck #75 located on Salisbury Street across from the Legislative Office Building. Parking is also available in the parking lot across Jones



Street from the State Library/Archives. You can view a map of downtown by visiting
<http://www.ncleg.net/graphics/downtownmap.pdf>.

If you are unable to attend or have any questions concerning this meeting, please contact Cameron Dawson at
hallkla@ncleg.net.

cc: Committee Record ☒ X
Interested Parties ☒ X



AGRICULTURE AND FORESTRY AWARENESS STUDY COMMISSION

January 30th 2018

Room 544 Legislative Office Building

The Agriculture and Forestry Awareness Study Commission met on Tuesday, January 30th at 1:00pm. The meeting was held in Room 544 of the Legislative Office Building. Commission members present were: Representative Mark Brody-Co Chair; Representative Jimmy Dixon-Co Chair; Representative Kyle Hall-Co Chair; Senator Bill Cook-Co Chair; Senator Brent Jackson-Co Chair; Senator Norman Sanderson-Co Chair; Mr. Mitchell Peele; Ms. Sue Gray; Mr. C. Howard Isley; Mr. Melvin Mitchell; and Ms. Alice Scott.

Representative Kyle Hall presided.

Rep. Hall called the meeting to order at 1:01pm and acknowledged the Sergeants at Arms from both the House and the Senate that assisted the committee.

Rep. Hall then introduced the Co-Chairs and asked if they had any opening comments. Hearing none, Rep. Hall continued onto the scheduled presentations.

Rep. Hall called on Tony Simpson (Presentation 1)

Cindy Avrette, Legislative Analysis Division, gave a brief introduction to the issue of property tax abatement for aging farm equipment before Mr. Simpson's presentation. Mr. Simpson is the Director of the Property Tax Section of the North Carolina Department of Revenue; Mr. Simpson discussed the property tax abatement for aging farm machinery.

Mr. Simpson revealed the way in which the information in his presentation was collected and the struggles faced in acquiring complete information from counties across the state. Mr. Simpson also identified the differences that tax abatement will affect each county in particular based on the age distribution of farm machinery and possible changes to the tax abatement. Mr. Simpson then yielded to questions from Commission members.

Sen. Wells asked how taxation of grading equipment and manufacturing equipment would be treated. Mr. Simpson responded that they would be treated on a similar depreciation schedule with 25% residual value.

Rep. Dixon asked whether recommended schedules from the Department of Revenue have to be followed by the counties. Mr. Simpson responded that they do not. Rep. Dixon commented that tractors alone might be only a small percentage of the farm equipment being taxed. He said that the task of the Commission would be to consider at what age to do the tax abatement, and how much to abate.

Mr. Peele asked what would be the fiscal impact of lowering the residual value of the tractors. Mr. Simpson responded that it would likely be minor. Mr. Peele asked how the Department came up with different percentages for different equipment. Mr. Simpson responded that it probably came from pricing guide manuals 20 or 30 years ago.



Rep. Brody asked how counties determine whether a usable piece of equipment is not in use. Mr. Simpson responded that the county can't exempt it, but if the taxpayer points out that a piece of equipment is not usable or is not in use, the county can come up with a different value. Rep. Brody asked if there is an appeals process beyond the county, and Mr. Simpson responded that there is.

Sen. Wells asked how the counties are able to use different depreciation schedules when the State cannot make different tax laws for different counties. Mr. Simpson responded that it's a difference in valuation, not a different system.

Sen. Cook asked about the origin of the 35% residual value for tractors after 10 years. Mr. Simpson said it was because the market supports the residual value of the tractor. However, if you have information that the market value is going down, then that 35% would not be appropriate. Sen. Cook also asked Mr. Simpson's opinion on solar equipment receiving tax breaks.

Sen. Jackson asked for an anticipated timeline for looking at all the things that have been raised in this committee meeting and coming back. Mr. Simpson said it could be done in a few weeks. Sen. Jackson said he would like the Department to research this some more and report again at a future meeting.

Rep. Dixon said that he wanted to receive comment from the County Commissioners Association on this issue.

Rep. Hall called on Dr. Richard Reich (Presentation 2)

Dr. Reich is the Assistant Commissioner for Agricultural Services of the North Carolina Department of Agriculture and Consumer Services; Dr. Reich discussed the North Carolina Handler's Act.

Dr. Reich gave a brief history of the NC Handler's Act before explaining the permitting process. Dr. Reich then discussed the number of permits issued in North Carolina and how the state compares with other states in the region. Dr. Reich then explained the penalty process for violating the Handler's Act before yielding to questions.

Sen. Jackson commented that the issue with the current Handler's Act is that it only covers written contracts. He asked how many full-time employees (FTEs) work on the Handler's Act. Dr. Reich responded that this is one small part of duties for one FTE. Kevin Hardison, Marketing Specialist at the Department of Agriculture and Consumer Services, said the Handler's Act was less than 10% of his duties, and most of our marketing specialists talk to individual companies to keep them informed of various applicable laws.

Sen. Sanderson asked about the profile of the companies currently licensed under the Handler's Act. Mr. Hardison said that they are mostly big companies, usually out-of-state with some presence in the State.

Rep. Dixon asked Sen. Jackson whether expanding the Handler's Act would help or hurt food safety. Sen. Jackson responded that food safety has been industry driven, and he does not think the Handler's Act is hampering farmers. His concern is whether we are treating everyone the same.

Rep. Brody asked why we have the Handler's Act and what would happen if someone made a claim against the bond. Dr. Reich responded that it came about because there were unscrupulous folks who came to buy produce, took it home before it got paid for, and left the farmer holding the bag. Mr. Hardison said that since the 1990s, he is not aware of a time when anyone has made a Handler's Act claim against the bond requirement.



Sen. Jackson asked how the Department is promoting the Handler's Act to industry. Dr. Reich said most of the Department's marketing specialists know the people who buy produce in NC. Mr. Hardison said they talk to industry professionals and tell them about it if they will be doing business in North Carolina, and also publish the law on the Department's website.

Senator Jackson made a motion that the Commission task the Department's Marketing Division to make a recommendation on the Handler's Act. The motion passed.

Rep. Hall called on Basil Coale for a presentation by phone (Presentation 3)
Mr. Coale is the Regional Director of the Eastern Regional Office, Agriculture Marketing Service, Specialty Crops Program, PACA Division of the United States Department of Agriculture.

Mr. Coale discussed the federal Perishable Agriculture Commodities Act (PACA).

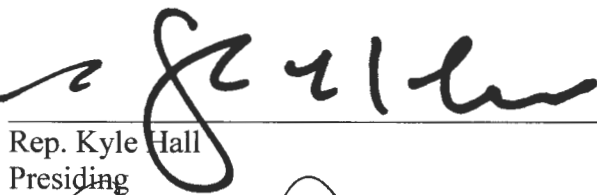
Mr. Coale began his presentation by giving a brief history of PACA and discussed the regional offices and headquarters in Washington, D.C. Mr. Coale then explained how PACA works and the necessity behind the Act before moving on to the services provided and license requirements and penalties for non-compliance. Mr. Coale then discussed the PACA complaint process and the dispute resolution procedure. Mr. Coale concluded his presentation by explaining the responsibility of agriculture grower's and PACA Trust assets before yielding to questions from the commission. There were technical difficulties in relaying questions to Mr. Coale, and Rep. Hall asked members having questions to submit them to staff in writing.

Rep. Brody asked Sen. Jackson if it is normal to bill a buyer later if you contract to grow a certain amount of produce and ship it. Sen. Jackson responded that typically, farmers prefer money up front but that doesn't always happen. If you send an invoice with the statutory PACA language, your PACA rights are preserved. Rep. Brody asked if this was a remedy so farmers don't have to go to court. Sen. Jackson responded that PACA got started because of folks just not paying. Produce growers and buyers take their responsibilities seriously and companies are rated on their pay scale and how well they pay. If you have a formal PACA filing against you, that is a major concern and you will likely be blackballed.

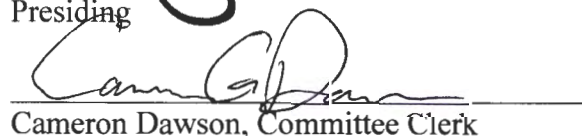
Rep. Hall thanked everyone for attending and asked for comments from the committee members.

Rep. Dixon said he would like input on additional agenda items from public members.

There being no further business, the meeting adjourned at 2:44 pm.



Rep. Kyle Hall
Presiding



Cameron Dawson, Committee Clerk

ms. 152

COMMISSION CO-CHAIRS
SEN. BILL COOK
SEN. BRENT JACKSON
SEN. NORMAN W. SANDERSON
SEN. ANDY WELLS

REP. MARK BRODY
REP. JIMMY DIXON
REP. KYLE HALL
REP. BOB STEINBURG

COMMISSION STAFF
CHRIS SAUNDERS
JENNIFER MCGINNIS
KYLE EVANS
MARIAH MATHESON

545 LEGISLATIVE OFFICE BUILDING
300 NORTH SALISBURY STREET
RALEIGH, NC 27603
(919) 733-2578

General Assembly of North Carolina

Agriculture and Forestry Awareness Study Commission State Legislative Building Raleigh, North Carolina



EX OFFICIO MEMBERS
MR. JIMMY GENTRY
MR. MITCHELL A. PEELE
HON. MICHAEL S. REGAN
MR. MARSHALL THOMPSON
HON. STEVEN TROXLER

PUBLIC MEMBERS
MR. ALBERT C. BEATTY
MR. DAVID L. BURNS
MR. DONALD BUTLER
MS. SUE M. GRAY
MR. C. HOWARD ISLEY
MR. DANNY McCONNELL
MR. MELVIN M. MITCHELL
MR. SHERWOOD PADGETTE
MS. ALICE SCOTT

COMMISSION CLERKS
ROSS BARNHARDT
CAMERON DAWSON

AGENDA

1:00 p.m. Tuesday, January 30, 2018
Room 544, Legislative Office Building,
Raleigh, NC

1. Call to order
Representative Kyle Hall, Presiding
2. Introductory Remarks by Co-Chairs
3. Presentation on property tax abatement for aging farm machinery
Tony Simpson, Director, Property Tax Section
Department of Revenue
4. Overview of the North Carolina Handler's Act
Dr. Richard Reich, Assistant Commissioner for Agricultural Services
Department of Agriculture and Consumer Services
5. Overview of the federal Perishable Agricultural Commodities Act
Basil Coale, Regional Director, Eastern Regional Office
Agricultural Marketing Service, Specialty Crops Program, PACA Division
United States Department of Agriculture
6. Committee discussion and announcements
7. Adjourn



ADDITIONAL INFORMATION:

Persons having questions about the Commission meeting or other matters related to the Commission may contact Chris Saunders, Commission Counsel, or other Commission staff at (919) 733-2578 or may visit the Commissions' website at:

http://www.ncleg.net/gascripts/Committees/committees.asp?sAction=ViewCommittee&sActionDetails=Non-Standing_78



NCDOR



Aging Farm Machinery

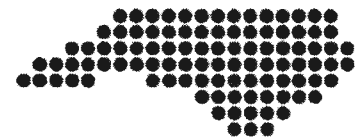


Property Tax Abatement Study

Session Law 2017-108
Senate Bill 615

January 30, 2018

SL 2017-108 / SB615: Property Tax Abatement Study





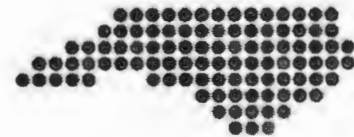
Commission's Considerations:

- Whether aging farm machinery should be excluded from property tax.
- If excluded, whether an 80% property tax exclusion is an appropriate amount.
- Fiscal impact on local governments if excluded from property tax.





Listing and Valuation





N.C.G.S. §105-309

Tax Listings

- Property itemized by taxpayer
- Provide detail as prescribed on abstract
- Assessor may require additional information

SCHEDULE E	FARM EQUIPMENT
Does your business own any tractors, implements, bulk barns, and/or other farm equipment? <input checked="" type="radio"/> YES <input type="radio"/> NO <input type="radio"/> Cost on schedule A	
If so, list and attach separate schedule E-1. If listed by cost on Schedule A, indicate above, but still include information on separate schedule E-1.	

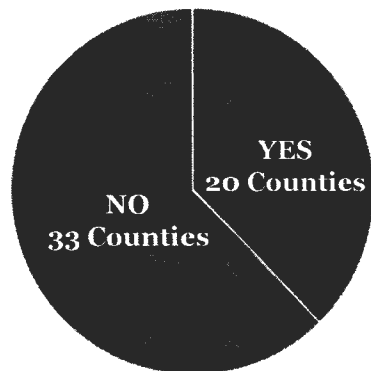




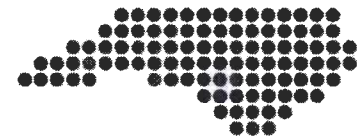
<div> <div>SCHEDULE E-1</div> <div>FARM EQUIPMENT - TRACTORS, IMPLEMENTS, BULK BARNs, ETC.</div> </div>						
YEAR	DESCRIPTION OR MAKE	MODEL OR SERIES	GAS OR DIESEL	YEAR ACQUIRED	ORIGINAL COST	FOR OFFICE USE ONLY
2017	Case IH Tractor	Puma	Diesel	2017	\$158,212	

County Tractor Listings

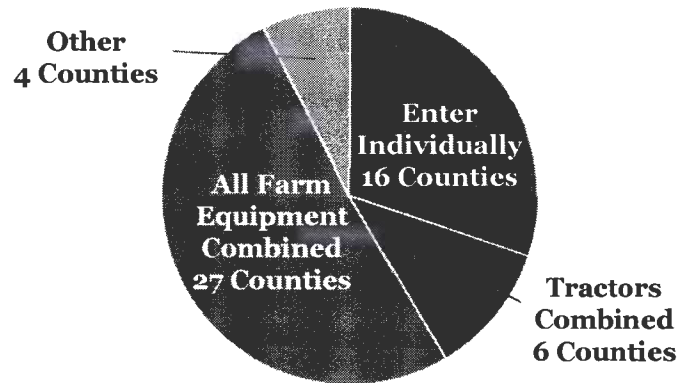
Listing Form Provides Separate
Schedule For Listing Tractors



Tax Tractors Separately
From Other Farm Equipment



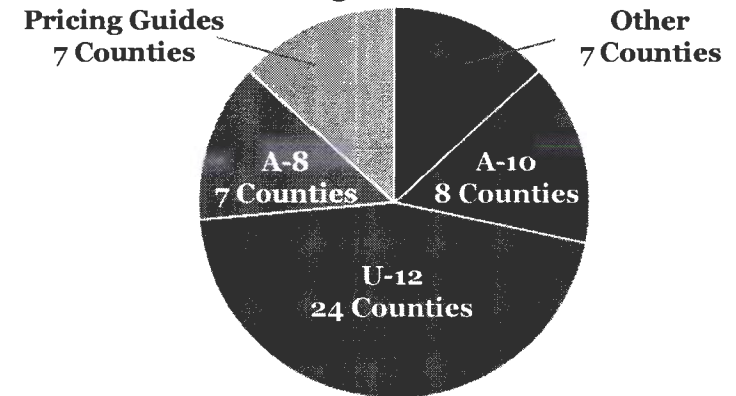
Data Entry Process Of Counties



Schedule Used by

County

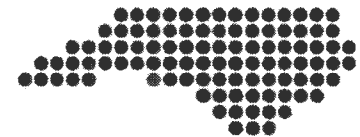
For Taxing Tractors



N.C.G.S. §105-283

Uniform Appraisal Standards

- Appraise at “true value” in money



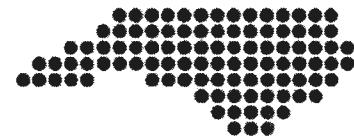


- True Value = Market Value
- Fundamental rule of valuation is fair cash value
- Reasonable variations from market value are appropriate if uniform.
- Purpose is to ensure distribution of tax burden in proportion to taxpayer's property holdings

N.C.G.S. §105-317.1

Personal Property Appraisal Considerations:

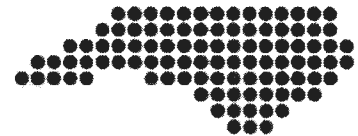
- Replacement cost





- Sales prices of similar property
- Age
- Physical condition
- Productivity
- Remaining life
- Obsolescence
- Economic utility
- Any other factor that may affect value

N.C.G.S. §105-317.1



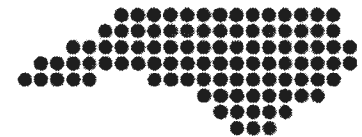


Additional Considerations for Businesses:

- Taxpayer's records
- Income tax returns (NC & IRS)
- Accuracy of records
- Taxpayer's method of accounting
- Taxpayer's trade level

Important Note:

- Equipment that is not being used for business purpose is not required to be listed!





Valuing Business Personal Property

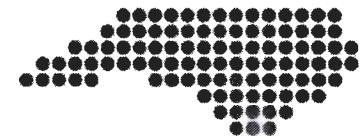
2017 Case IH Puma
Purchased in 2017 for \$158,212




Source: NCDOR 2018 Cost Index and
Schedules

Depreciation

Method: Cost Approach (Replacement Cost New Less Depreciation) Schedule:
U-12



		State of North Carolina				Page 28			
		Department of Revenue				Effective 1/1/2018			
		Property Tax Section							
<div style="border: 1px solid black; padding: 5px; text-align: center;"> Schedule U Valuation Table Historical (Original) Cost Percent Good Factors </div>									
Year		Trend							
Acq'd	Age	Factor	5		6	8	12		
2017	1	1.00	88	1.00	60	72	85		
2016	2	0.99	60	1.00	51	60	80		
2015	3	0.94	38	1.00	35	48	75		
2014	4	0.89	18	1.00	18	35	70		
2013	5	0.87	5	1.00	11	23	60		
2012	6	0.85		1.00	5	15	55		
2011	7	0.80		1.00			45		
2010	8	0.77		1.00			40		
2009	9	0.73		1.00			35		
2008	10	0.68		1.00			25		
<p>The 25 percent residual is for combines and cotton harvesters.</p> <p>Use 35 percent for tractors.</p>									

Cost \$158,212

% Good x 0.85

2018 Value
\$134,480

Est. Tax \$903.30

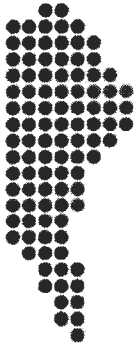
Tractor Taxation Cycle







NCDOR

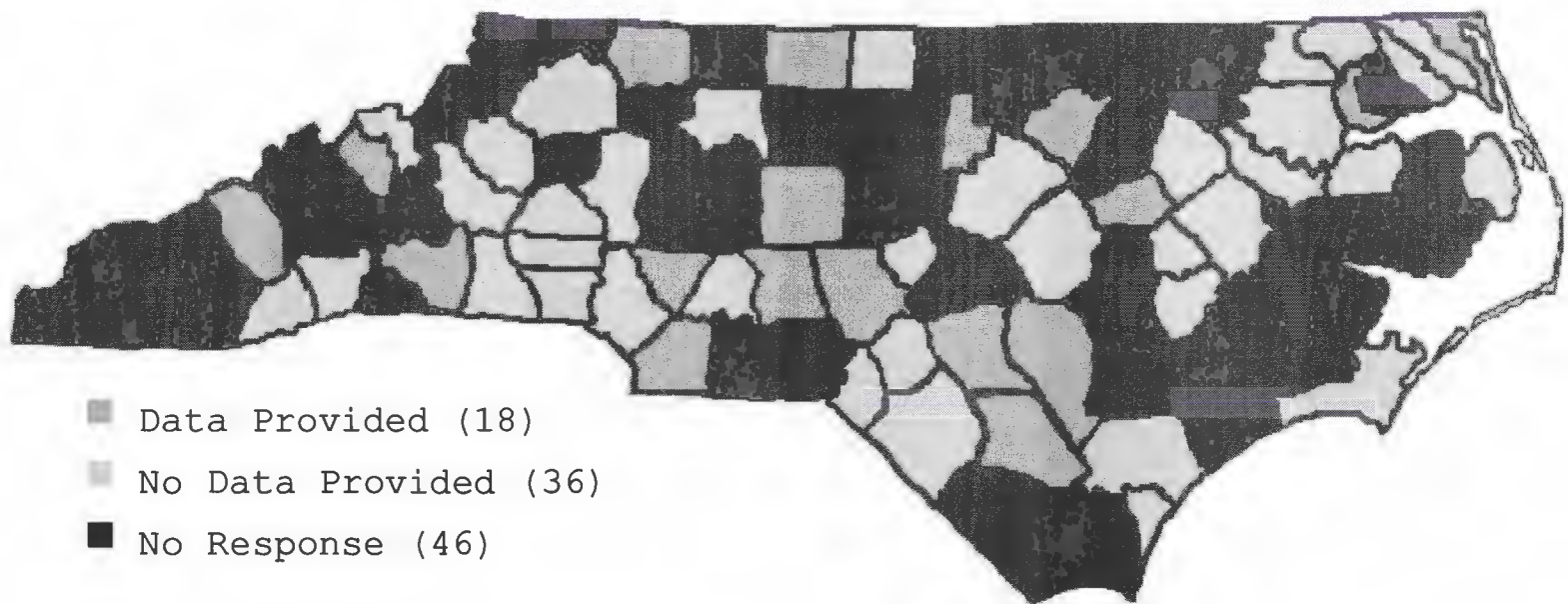


2007
\$217,356

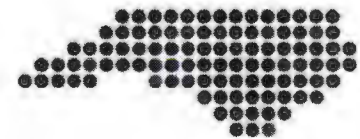




County Tractor Survey Results



- Data Provided (18)
- No Data Provided (36)
- No Response (46)





2017 Sampson County Tax Listings

Sampson County Revenue Impact

TRACTOR AGE	TRACTOR COST	TAX VALUE	TAX	80% EXCLUSION
1951-1960	\$3,500	\$1,225	(\$10)	(\$8)
1961-1970	\$37,930	\$13,276	(\$110)	(\$88)
\$103,360	(\$853)	(\$682)	1971-1980	\$297,700
(\$1,545)			\$669,340	\$234,130
1981-1990				(\$1,932)
1991-2000	\$3,627,746	\$1,270,108	(\$10,478)	(\$8,383)

-18 county tax rates. Figures represent base include
additional taxes for municipalities, fire districts,





2001-2010	\$18,857,262	\$7,080,490	(\$58,414)	(\$46,731)	2011-2016
	\$39,420,115	\$29,818,164	(\$246,000)	(\$196,800)	

TOTAL	\$62,913,593	\$38,520,753	(\$317,797)	(\$254,237)
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Note: Tax estimates based on published 2017 county tax only. Figures do not special taxing districts, fees, etc.

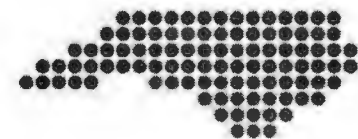
2017 Randolph County Tax Listings

Randolph County Revenue Impact

TRACTOR TRACTOR

80%

Note: Tax estimates based on published 2017-18 county tax rates. Figures represent base county tax only. Figures do not include additional taxes for municipalities, fire districts, special taxing districts, fees, etc.





NCDOR

AGE	COST	TAX VALUE	TAX	EXCLUSION
1941-1950	\$17,958	\$17,958 (\$117)	(\$94)	1951-1960 \$74,332
	\$74,332 (\$485)	(\$388)	1961-1970 \$170,741	\$170,741
(\$1,114)	(\$891)	1971-1980 \$442,805	\$433,457	(\$2,828)
		(\$2,263)		
1981-1990	\$1,581,235	\$697,657 (\$4,552)	(\$3,642)	1991-2000
\$5,212,747	\$1,917,409	(\$12,511)	(\$10,009)	
2001-2010	\$9,889,074	\$3,698,546	(\$24,133)	(\$19,306)
2011-2016	\$8,103,493	\$5,793,182	(\$37,801)	(\$30,240)
TOTAL	\$25,492,385	\$12,803,282	(\$83,541)	(\$66,833)

Source: Randolph County Tax Department

Note: Figures represent base county tax only. Figures do not include additional taxes for municipalities, fire districts, special taxing districts, fees, etc.

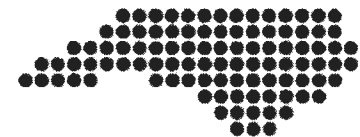


2017 Bladen County Tax Listings

Bladen County Revenue Impact

TRACTOR AGE	TRACTOR COST	TAX VALUE		TAX	80% EXCLUSION
1951-1960	\$3,000	\$1,050	(\$9)	(\$7)	1961-1970 \$4,200
		\$1,470	(\$12)	(\$10)	
1971-1980	\$22,530	\$7,886	(\$65)	(\$52)	
1981-1990	\$99,845	\$34,946	(\$287)	(\$229)	1991-2000 \$839,243
\$293,735	(\$2,409)	(\$1,927)			

Note: Tax estimates based on published 2017-18 county tax rates. Figures represent base county tax only. Figures do not include additional taxes for municipalities, fire districts, special taxing districts, fees, etc.





2001-2010	\$3,844,108	\$1,403,705	(\$11,510)	(\$9,208)	2011-2016
	\$3,877,311	\$2,762,655	(\$22,654)	(\$18,123)	

TOTAL	\$8,690,237	\$4,505,447	(\$36,946)	(\$29,556)	
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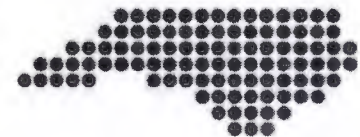


2017 Cabarrus County Tax Listings

Cabarrus County Revenue Impact

TRACTOR AGE	TRACTOR COUNT	TAX VALUE	TAX	80% EXCLUSION
1931-1940	1	\$1,000	(\$7)	(\$6)
1941-1950	27	\$58,044	(\$406)	(\$325)
1951-1960	57	\$128,691	(\$901)	(\$721)
		\$276,790	(\$1,938)	(\$1,550)
1961-1970	77			
1971-1980	119	\$618,208	(\$4,327)	(\$3,462)
1981-1990	71	\$417,645	(\$2,924)	(\$2,339)

Note: Tax estimates based on published 2017-18 county tax rates. Figures represent base county tax only. Figures do not include additional taxes for municipalities, fire districts, special taxing districts, fees, etc.





1991-2000	77	\$961,497	(\$6,730)	(\$5,384)	2001-2010	143
		\$2,290,366	(\$16,033)	(\$12,826)		
2011-2017	77	\$2,172,332	(\$15,206)	(\$12,165)		

TOTAL	649	\$6,924,574	(\$48,472)	(\$38,778)
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2017 Surry County Tax Listings

Surry County Revenue Impact

TRACTOR AGE	TRACTOR COUNT	TAX VALUE	TAX	80% EXCLUSION
1941-1950	1	\$225	(\$1)	(\$1)



1951-1960	1	\$300	(\$2)	(\$1)	1961-1970	6	\$3,476	(\$20)
(\$16)	1971-1980	20	\$28,770	(\$167)	(\$134)	1981-1990	83	
\$264,101	(\$1,537)	(\$1,230)						
1991-2000	180	\$819,527	(\$4,770)	(\$3,816)	2001-2010	359		
\$2,608,266	(\$15,180)	(\$12,144)						
2011-2017	275	\$5,629,894	(\$32,766)	(\$26,213)				

TOTAL	925	\$9,354,559	(\$54,443)	(\$43,555)
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2017 Union County Tax Listings

Union County Revenue Impact

TRACTOR TRACTOR

80%

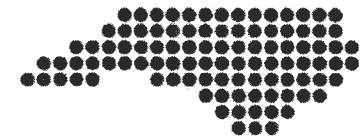
Note: Tax estimates based on published 2017-18 county tax rates. Figures represent base county tax only. Figures do not include additional taxes for municipalities, fire districts, special taxing districts, fees, etc.





NCDOR

AGE	COUNT	TAX VALUE	TAX	EXCLUSION
1931-1940	2	\$4,482 (\$35) (\$28)	1941-1950	25 \$40,559 (\$317) (\$253)
1951-1960	38	\$75,141 (\$587) (\$469)	1961-1970	110 \$473,353 (\$3,697) (\$2,958)
1971-1980	219	\$1,494,926	(\$11,675)	(\$9,340)
1981-1990	164	\$1,338,844 (\$10,456)	(\$8,365)	1991-2000 257 \$4,451,030 (\$34,763) (\$27,810)
2001-2010	315	\$9,536,231	(\$74,478)	(\$59,582)
2011-2017	192	\$9,824,289	(\$76,728)	(\$61,382)
TOTAL		1322 \$27,238,855	(\$212,736)	(\$170,187)







Note: Tax estimates based on published 2017-18 county tax rates. Figures represent base county tax only. Figures do not include additional taxes for municipalities, fire districts, special taxing districts, fees, etc.

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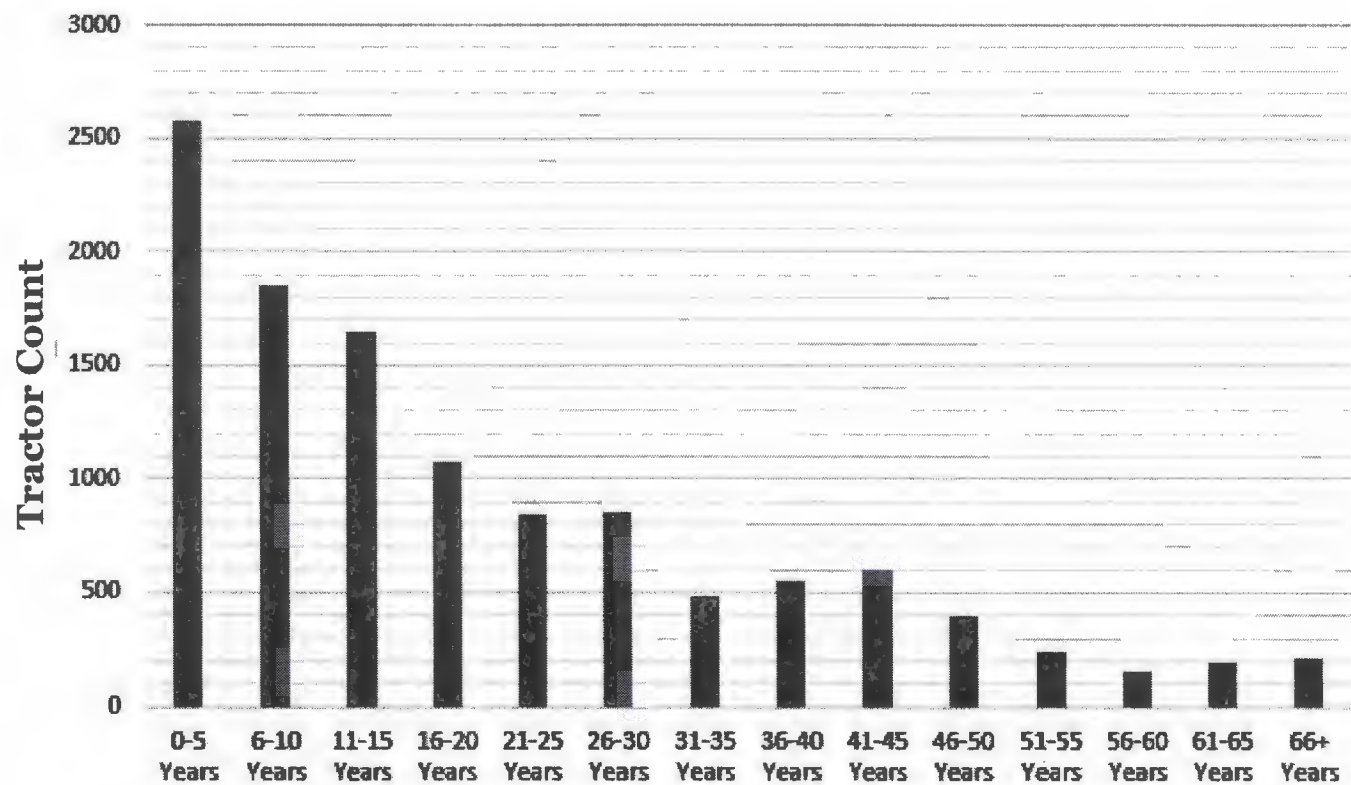


2017 County Tax Listings

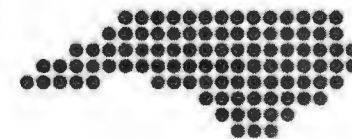




Tractor Age Distribution

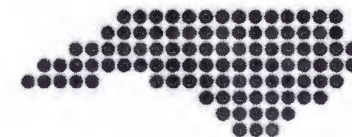
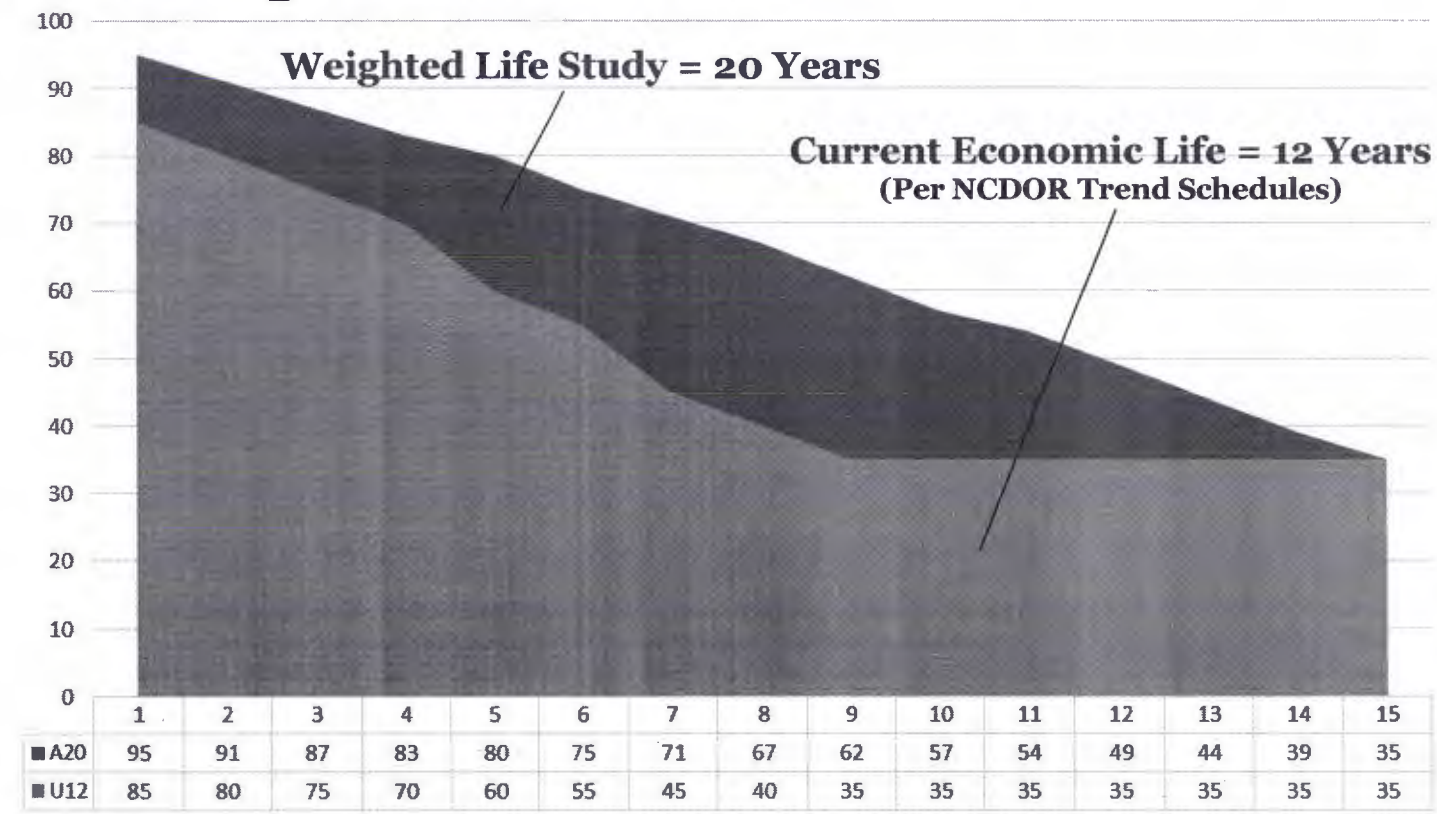


Tractor Age
Average Weighted Life Comparison





Tractor Depreciation Chart





USDA Census of Agriculture Data



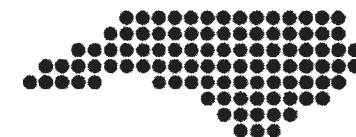
USDA Census Data Trends & 2017 Estimates





North Carolina Tractor Inventory

AGE	TRACTOR TYPE			TOTAL
	0-39 HP	40-99 HP	100+ HP	
2002 CENSUS	4,225	6,867	2,794	13,886
2007 CENSUS	3,722	7,608	2,626	13,956
2012 CENSUS	2,567	5,634	3,079	11,280
2017 ESTIMATE	1,847	5,192	3,180	10,219
GE 5 YEARS OLD				
2002 CENSUS	36,707	44,271	12,754	93,732
2007 CENSUS	33,056	44,042	12,651	89,749
2012 CENSUS	29,138	44,935	13,644	87,717





2017 ESTIMATE	25,398	45,093	13,804	84,295	LT 5
YEARS OLD					



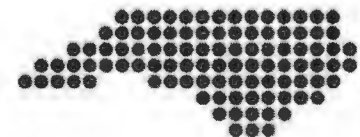
Data Source: USDA Census of Agriculture (2002-2012)

2017 Pricing Guide Cost Estimates



Average Tractor Cost by Age

TRACTOR AGE	TRACTOR TYPE		
	0-39 HP	40-99 HP	100+ HP
LT 5 YEARS OLD	\$21,081	\$51,590	\$239,062







GE 5 YEARS OLD	\$12,902	\$30,170	\$153,753
LT 10 YEARS OLD	\$18,967	\$48,049	\$231,191
GE 10 YEARS OLD	\$10,961	\$24,340	\$95,887

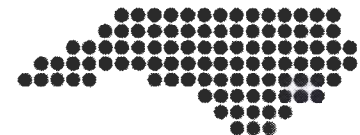
AVERAGE COST	\$13,904	\$32,931	\$170,967
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Data Source: 2017 Iron Guides Buyers Guide for Tractors US Edition

2017 Statewide Tax Listing Estimates

Estimated Statewide Revenue Impact

TRACTOR AGE	TRACTOR TYPE			TOTAL
	0-39 HP	40-99 HP	100+ HP	
LT 5 YEARS OLD				
TRACTOR COST	\$38,936,607	\$267,855,280	\$760,217,160	\$1,067,009,047





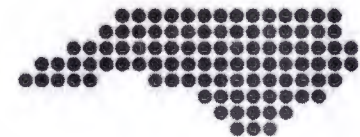
TAX VALUE	\$30,175,870	\$207,587,842	\$589,168,299	\$826,932,011
TAX	(\$202,691)	(\$1,394,368)	(\$3,957,443)	(\$5,554,502)
80% EXCLUSION	(\$162,153)	(\$1,115,494)	(\$3,165,955)	(\$4,443,602)
GE 5 YEARS OLD				
TRACTOR COST	\$327,684,996	\$1,360,455,810	\$2,122,406,412	\$3,810,547,218
TAX VALUE	\$154,011,948	\$639,414,231	\$997,531,014	\$1,790,957,192
TAX	(\$1,034,498)	(\$4,294,945)	(\$6,700,416)	(\$12,029,859)
80% EXCLUSION	(\$827,599)	(\$3,435,956)	(\$5,360,333)	(\$9,623,888)

Note: Cost estimates based on USDA Census of Agriculture tractor inventory statistics from 2002-2012, and industry pricing guide averages. Values based on trend averages. Tax calculated based on average of all 2017-18 published county rates (0.6717).

2017 Statewide Tax Listing Estimates

Estimated Statewide Loss

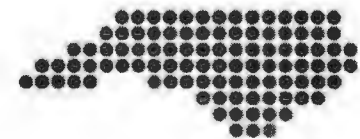
TOTAL





TRACTOR COST	\$4,877,556,265
TAX VALUE	\$2,617,889,204
TAX	(\$17,584,362)
80% EXCLUSION	(\$14,067,489)

Note: Cost estimates based on USDA Census of Agriculture tractor inventory statistics from 2002-2012, and industry pricing guide averages. Values based on trend averages. Tax calculated based on average of all 2017-18 published county rates (0.6717).





Challenges





Study Challenges:

- Counties are taxing all farm equipment on an 8-year schedule (A-8) versus separating tractors from equipment and taxing them on the recommended 12-year schedule (U-12).
- County software systems are unable to extract data on specific types of equipment due to mass appraisal.

Study Challenges:





- County listing forms do not have separate section to list tractors.
- Many citizens list equipment based on year acquired versus equipment age year and original cost.
- Limited Data
 - Counties can't separate tractors from other farm equipment.
 - 54% of counties responded.
 - 18% of counties provided data.

Administrative Challenges:



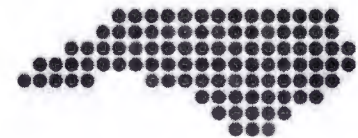


Counties

- Separation of equipment
- System doesn't support individual tractor entries
- Listing forms designed for mass appraisal
- Unable to determine actual age of

equipment Taxpayers

- Depreciation methods are different for income tax
- Don't list specific pieces of equipment
- Accounting records will need to be more detailed
- Accountants will have to prepare additional records (IRS & County)





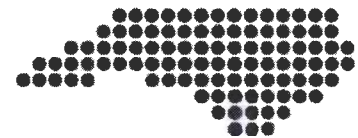
Questions?



Local Government Division

Tony Simpson, Director

Tina Stone, Personal Property Manager





Landler's Act

Department of Agriculture & Consumer Services

Reich, Assistant Commissioner of Agricultural Services January 30, 2018







NC ASSISTANT COMMISSIONER



Handler's Act

Article 44 of G.S. 106-496 was created in 1941 and was last amended in 1994.

The act pertains only to handlers of fresh fruits and vegetables.

Anyone who deals with the purchase or transportation of any produce is considered a handler.

The purpose is to protect NC farmers against unfair trade practices.



eller's Act-Permit

article covers only written contracts with no association to market sales.

dlers must request a permit from NCDA&CS.

nit applications are required by March 1 every year before written contracts are made.

ers must provide:

- 1) Two copies of a blank contract along with related requirements that would apply to the grower.



2) A notarized letter of bonding.

mits

companies have a 2017 Handler's Act permit.

00 acres are grown under contract for companies who
e a Handler's Permit.







by State Comparison

	<u>Virginia</u>	<u>Georgia</u>	<u>South Carolina</u>	<u>Florida</u>	<u>Maine</u>
Written Contracts	All handlers	All handlers	All handlers	All handlers	Potatoes and rotation crops
\$0.00	\$50.00	\$50 -\$100	\$50	\$170-\$300	\$100
Website	Website/ list	Website /list	Website	Website/ list	Website
\$10,000	\$1,000	\$10,000	highest month	\$5,000	\$50,000



\$50,000	\$40,000	\$500,000	\$25,000	\$100,000	\$500,000
Misdemeanor	Misdemeanor	Misdemeanor	Fine and Misdemeanor	\$100 + no listing	Fine and Misdemeanor

Handler's Act-Permit

The penalty for not applying for a permit is \$25.00.

Any person who violates the provisions of this Article or the rules and regulations promulgated thereunder shall be guilty of a Class C misdemeanor.



bond is required made payable to the Commissioner of Agriculture in the amount of not less than \$10,000.00 or more than \$50,000.00.

stions?



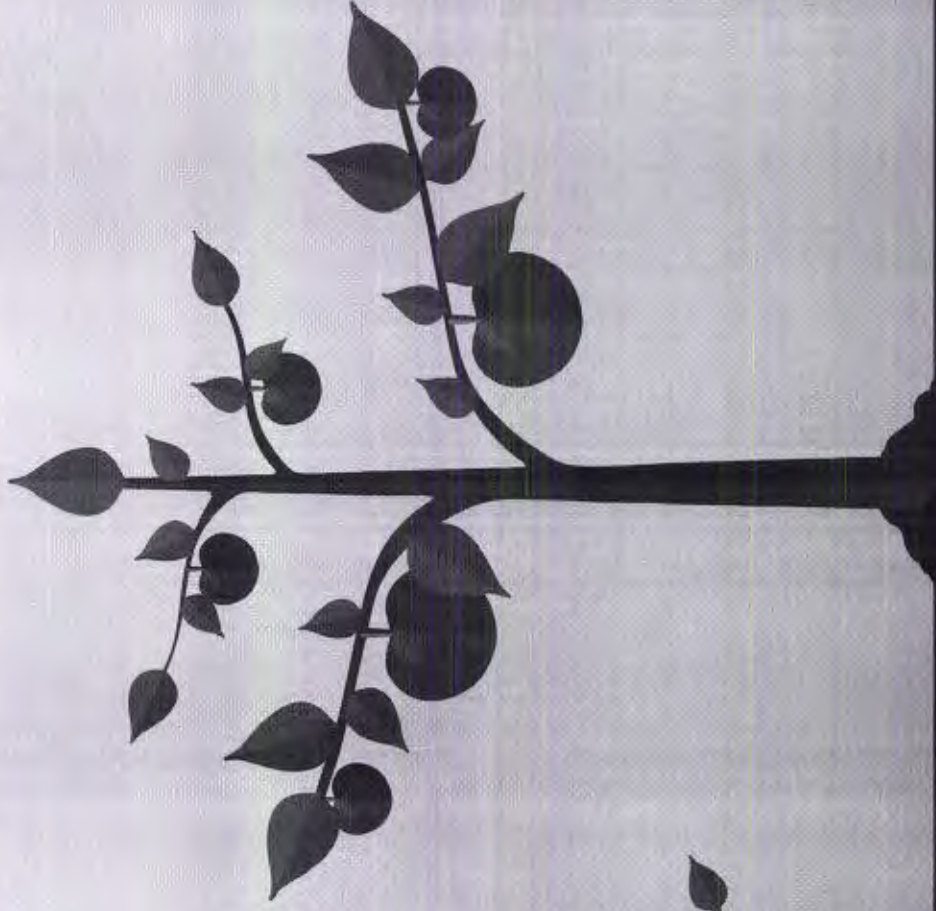


Perishable Agricultural

Commodities Act



"How can we help you?"



Basil W. Coale, Jr.

Regional Director

PACA Division, Eastern Regional Office

Fair Trade Practices Program

The PACA....facilitating fair trade practices in the fruit and vegetable industry through education, mediation, licensing and enforcement.



What is PACA?



Perishable Agricultural Commodities Act



Federal law enacted in 1930



Regulates interstate & foreign commerce



Fresh/ Frozen fruits and vegetables



Promotes fair trade and prompt pay



PACA Offices

PACA Division HEADQUARTERS

Washington, DC 20250-0235

Toll Free – 1.877.622.4716

Office of the Director - 202.720.4180

Dispute Resolution - 202.720.2890

Investigative Enforcement - 202.720.6873

Fax - 202.690.4413



TUCSON, AZ OFFICE
Office – 1.800.495.7222
Fax – 520.670.4798

States Served:

AZ CA CO ID IA KS
MN MO MT ND NM NE
NV OR SD UT WA WY
AK (not shown),
HI (not shown)

FORT WORTH, TX OFFICE
Office – 1.800.495.7222
Fax – 817.978.0786

States Served:

AL AR FL IL IN KY MI
MS OK TN TX WI LA

VT

NH

MA

RI

CT

NJ

DE

DC

NATIONAL LICENSE CENTER

Office – 1.800.495.7222

Fax – (202) 260-8575

Fredericksburg, VA OFFICE


Office – 1.800.495.7222

Fax – (540) 373-2690

States Served:

CT DC DE GA ME WV MD
MA NC NH NJ NY OH PA
RI SC VT VA
PR (not shown)
VI (not shown)
Guam (not shown)





PACA Headquarters

Washington, DC

National License
Center
Washington DC,

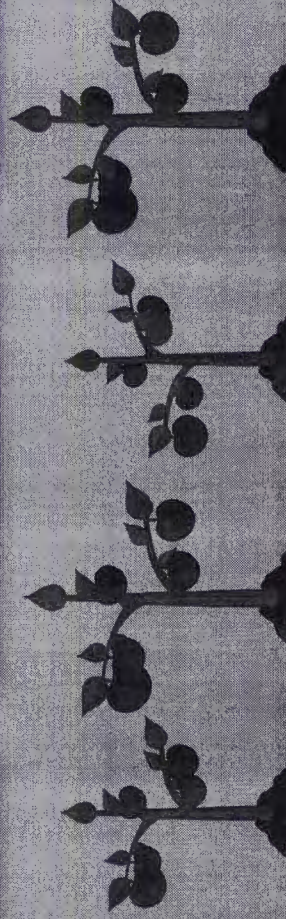
Dispute
Resolution
Branch
Washington, DC

Investigative
Enforcement
Branch
Washington, DC

Fort Worth, TX
Field-Office

Fredericksburg, VA
Field-Office

Tucson, AZ
Field-Office





How does PACA work?



Requires mandatory
licenses for dealers

Defines common
trade terms

Establishes fair
business rules

Provides forum for
dispute resolution

Institutes
enforcement
mechanism

Provides real time
advice to callers
through the customer
service line



Why is PACA needed?

The Perishable Agricultural Commodities Act (PACA) was enacted at the request of the fruit and vegetable industry.

Promote fair trade in the industry.

Perishable nature of products.

States unable to govern interstate commerce.





Why is PACA needed?

Transportation options deliver produce to more areas at greater distances.

Larger service area increases risk with new buyers.

Assist Growers/ Buyers/ Sellers in resolution of trade disputes.

Guidance of the Act and the rules governing a transaction





Summary of PACA Services Provided

Advice
concerning
contract
disputes

Help you get
paid through
reparation
complaint
process

Financial
protection
under the Civil
Trust

Promote fair
trade between
firms

Auditing of a
licensee's
records to verify
accountings
(sales &
expenses)





Mandatory License

Dealers who buy
or sell 2,000
pounds or more
on any day

Retailers are
exempt until
they purchase or
negotiate sales
of \$230,000 or
more in a
calendar year



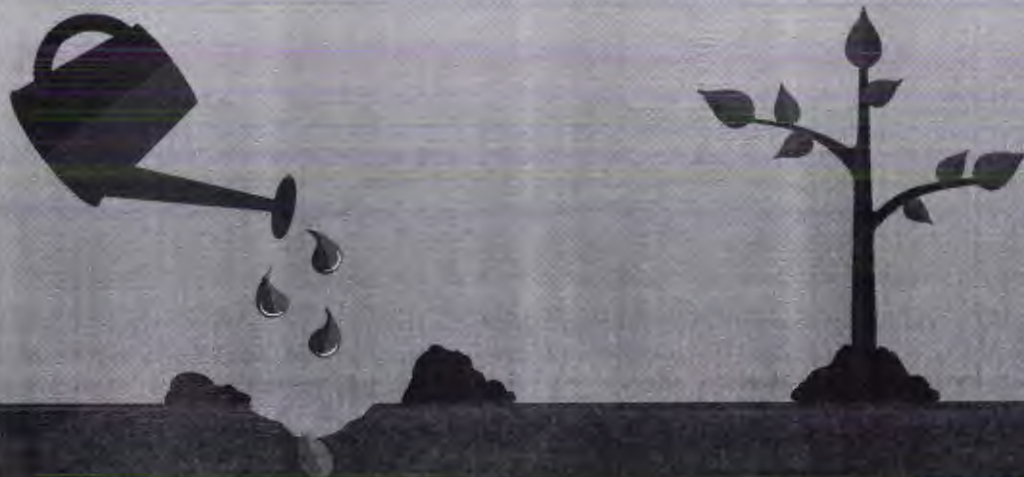
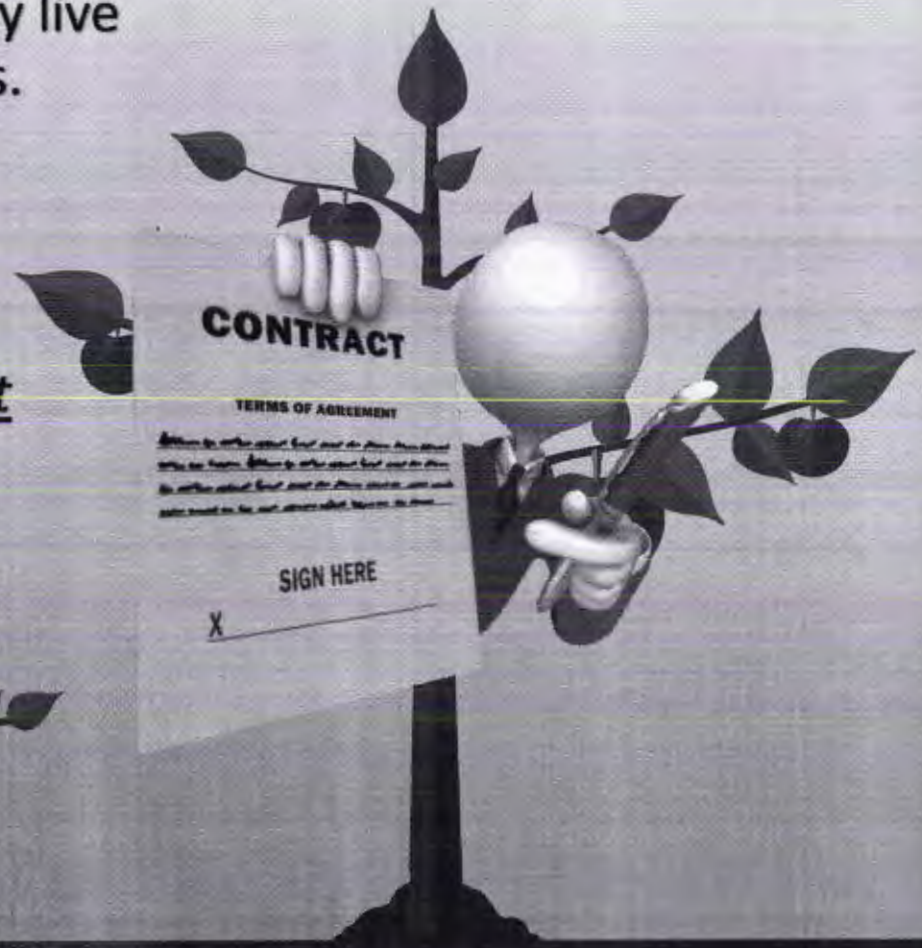


PACA Licensee Ground Rules

Generally, PACA requires that firms and individuals operating in the F&V industry live up to the terms of their agreements.

Sellers: *must ship the quantity and quality specified.*

Buyers: *must accept shipments that meet contract specifications.*





Who needs a PACA license?

Requires License

- Wholesale Dealers
 - Shippers
- Grower's Agents
 - Brokers
 - Processors
- Large Retailers

Does Not Require License

- Growers handling their own product
- Freight Companies
 - Restaurants

Exempt

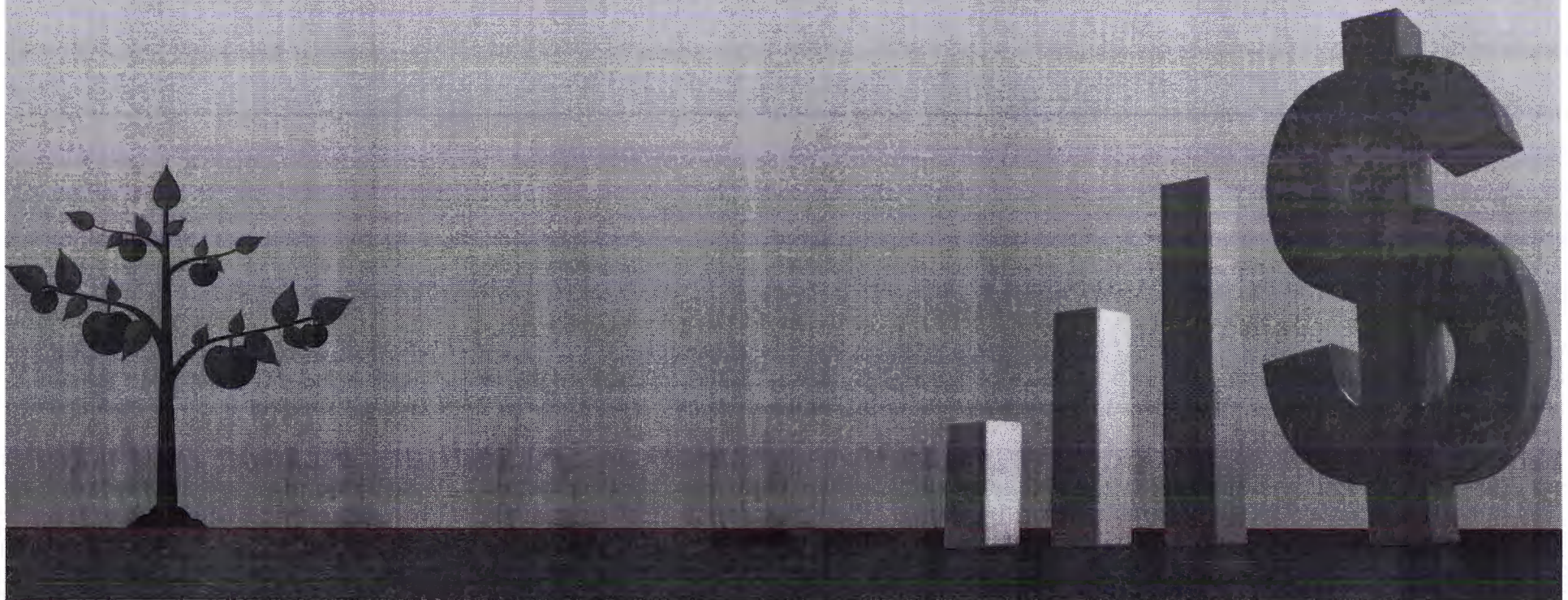
- Growers who handle only their own product
- Truckers who haul for hire only
 - Restaurants





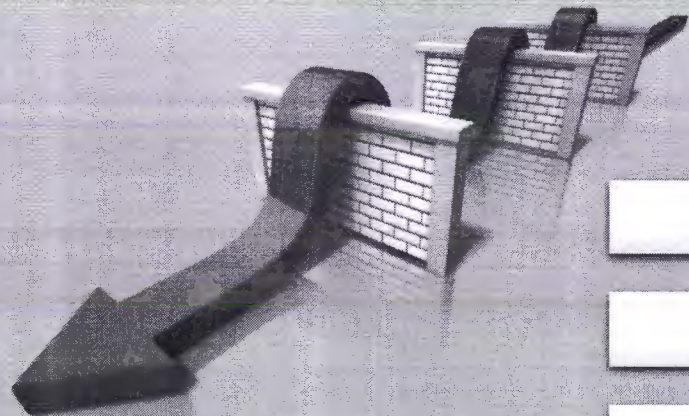
Operating Without a License

Any entity that operates subject to the Act without a valid and effective license is subject to a penalty of **\$1,200** for each such offense and up to **\$350** for each day it continues.





Challenges in the Produce Industry



Rejections, market decline, overstock,

Inadequate record keeping

Failure to account truly and correctly

Refusal to pay and “slow pay”

Misbranding and misrepresenting product

Bankruptcies— “Snowball Effect”

Unscrupulous entrants/fraud



Common Complaints



Failure to pay for product

Failure to account truly and correctly

Failure to ship or deliver

Ineffective rejection

Wrongful rejection

Misunderstood Contract Terms

Unauthorized change in contract terms





Acceptance & Rejection

Acceptance

Any action
inconsistent
with shipper's
ownership

Procedurally
Correct vs.
Procedurally
Incorrect

Warranted vs.
Unwarranted

Rejection





How to Get You Paid...

Payment arrives as expected

Problem load/ new terms

Collection action/ District Court

Informal complaint process

Formal complaint process (Judge's Order)

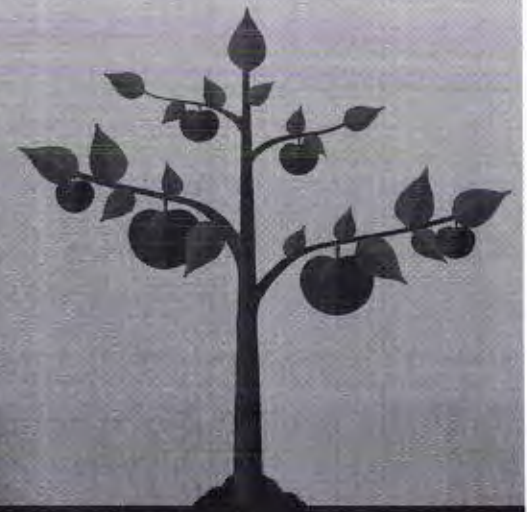
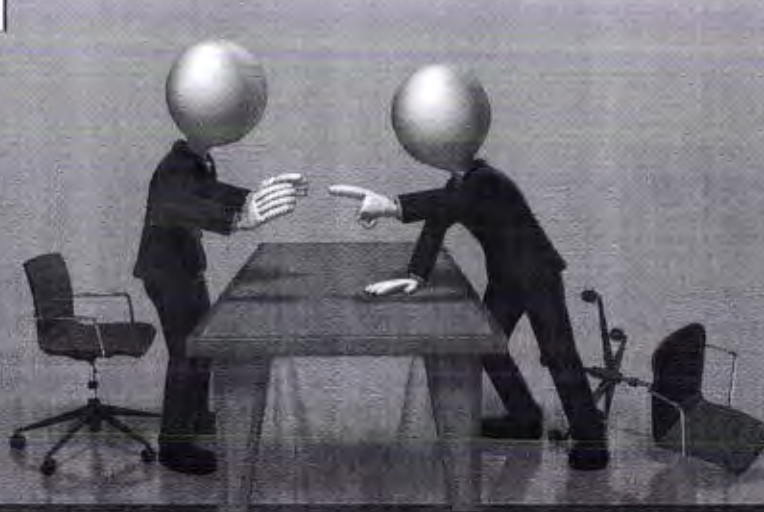
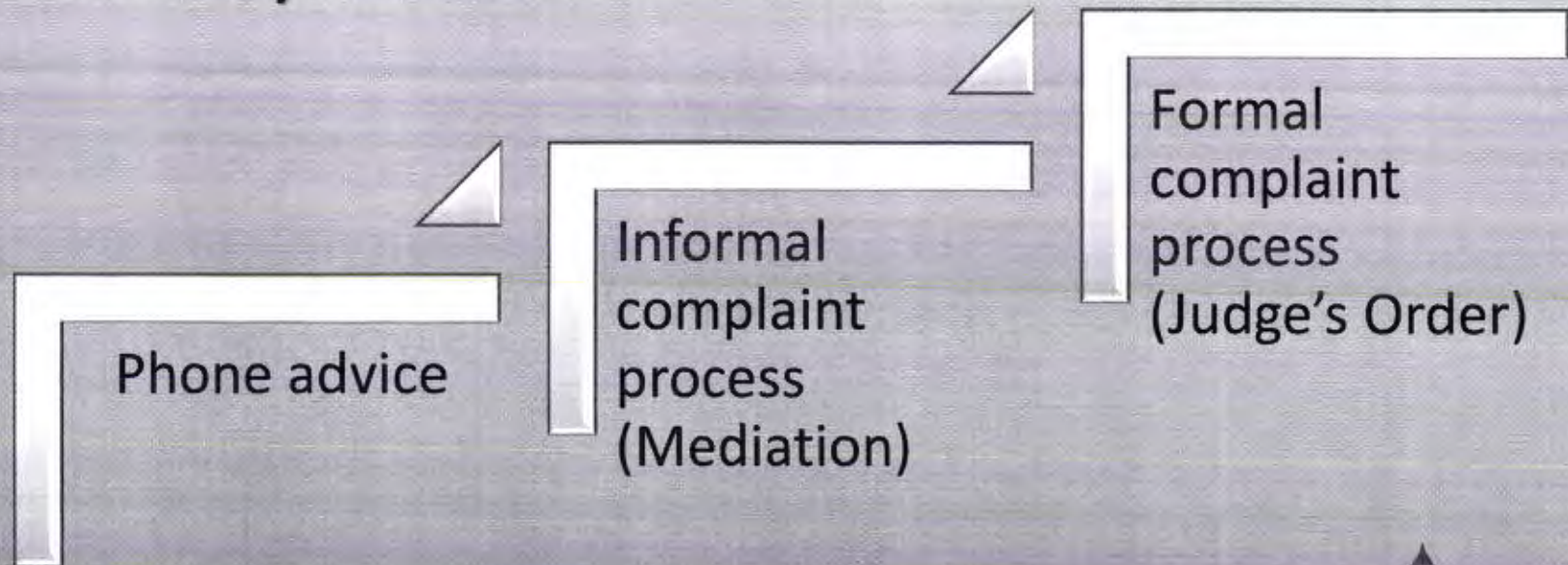
PACA Trust





Dispute Resolution

Three-tier System:





Avenues of Resolution

Informal Complaints

- Informal settlement
- Mediation
- No Judicial Involvement

Formal Complaints

- Documentary Procedure
- Oral Hearing
- Judicial Orders and License Suspensions





Merits of PACA Intervention

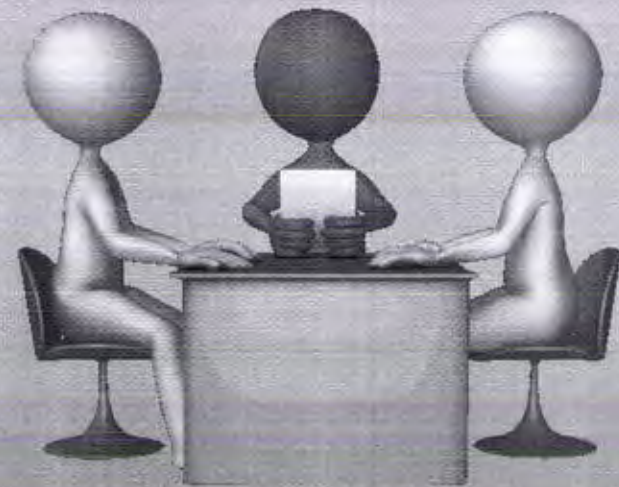
Impartial involvement

Knowledge of trade practices, customs

Knowledge of trade terms, definitions
and the law as it applies to specific
situations

Minimal expense

No financial benefit in outcome.





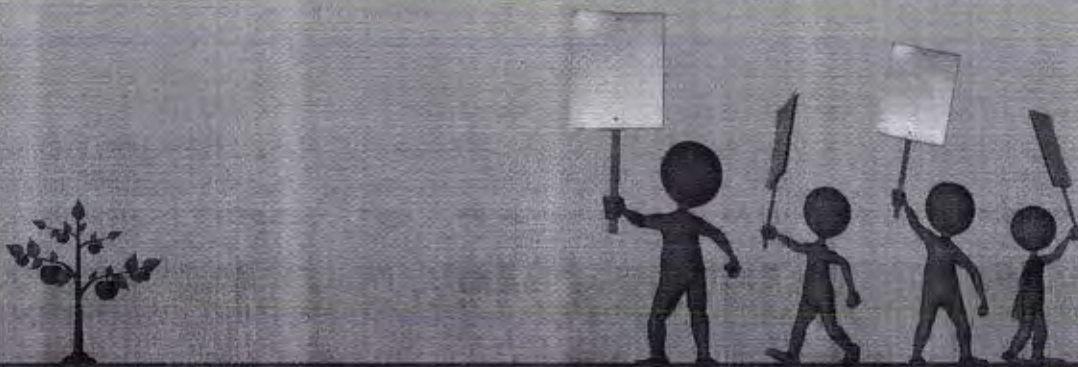
Who can file complaints?

Growers or
financially
interested party

Associations on
behalf of their
members

Attorneys on
behalf of their
clients

Sales/Grower's
agents on behalf
of shippers



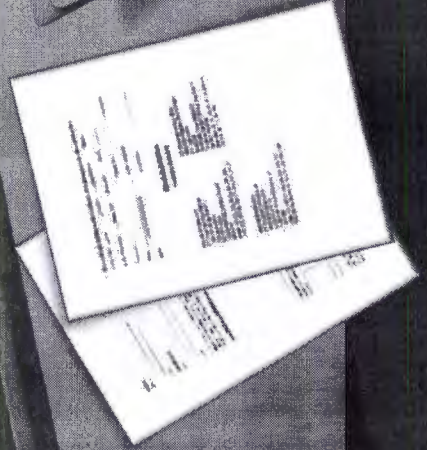
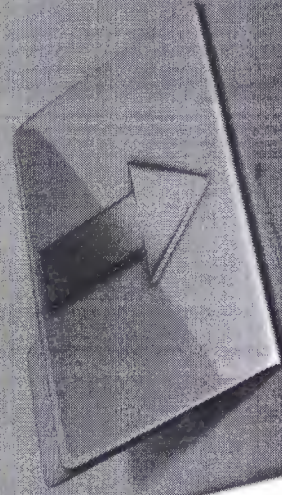


Filing an Informal Complaint

Complaint form on website, or can be sent to you.
Submit transaction information and invoice in writing expressing your desire to file an informal complaint.

Can be faxed, mailed, or emailed.
Include a \$100 filing fee; payable by check or credit card.

Must be filed within 9 months of the transaction or cause of action.



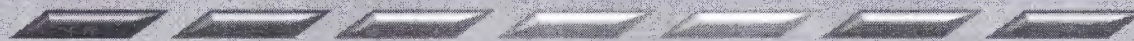


Complaint Examples

Undisputed – Failure to Pay in Full



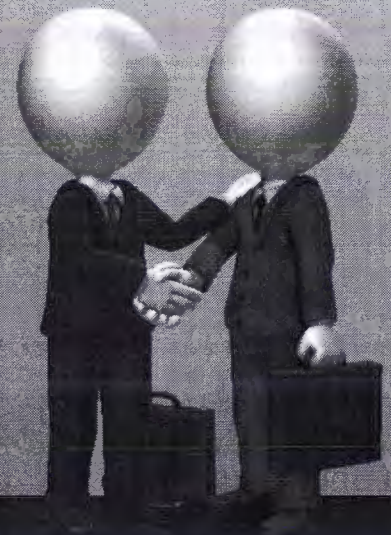
Disputed – Breach of Contract



Grower's Agent – Seasonal Contract



In the past three years, USDA resolved approximately 3,700 PACA claims involving more than \$66 million.*





Enforcement

PACA may only take action after WRITTEN notice from outside the Division is received

Examples of
unfair trade
practices include:

Fraud

False & Misleading Statements

Non Payment

Misbranding/Mislabeling

Employing People Under
Employment Restrictions

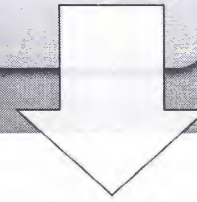




Enforcement

The PACA Division has the authority under the law to take “responsibly connected” individuals out of the produce industry for a specific time:

1st year – complete ban from produce work



2nd year – eligible to return to work with approval from the Secretary, secured with bonding provided by employer





Basis of Damages: Inspection Certificates

PACA & SCI Inspection Certificate

Percentage of Defects

INJURY	DAM	SER DAM	V.S. DAM	OFFSIZE/DEFECTS
NA	0	0	NA	QUALITY DEFECTS
NA	10	4	NA	BRUISING (2 TO 15%)
NA	1	1	NA	DECAY (0 TO 2%)
NA	11	5	NA	CHECKSUM





Considerations When Analyzing Inspection Certificates

Type of contract (FOB No Grade, FOB U.S. No. 1, etc.)

Date shipped & date of arrival at destination

Date of inspection

Loaded or unloaded at time of inspection

Pulp temperature & transit temperature

Quantity shipped & quantity inspected

Type of product inspected, brands, markings, etc.

Types of defects (quality or condition)

Product compatibility if shipped with other product(s)





“Suitable Shipping Condition” “Good Delivery”

The product at time of shipment, if handled under normal transportation conditions, will arrive without abnormal deterioration at the contract destination

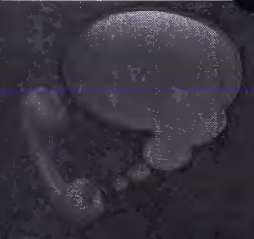
Since produce is inherently perishable, we apply the “SSC” concept that allows for a “normal” amount of deterioration

Applies to condition and quality defects combined in a grade-specified contract





"Good Delivery" Hotline



1-800-495-7222, select Option #2

FREE assistance

Staffed by Fruit & Vegetable Experts

Available 7AM – 7PM Mon-Fri (EST)

Call upon delivery of a load with a potential problem

*Our Division has assisted more than 7,100 callers
with issues valued at approximately \$100 million in
last three years*



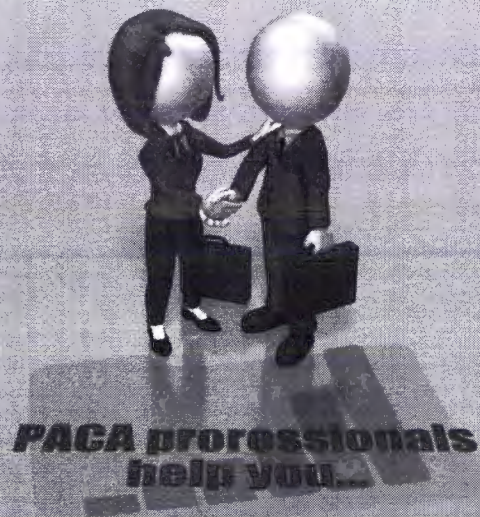


"Good Delivery" Guidelines

COMMODITY	U.S. GRADE STANDARDS	MAXIMUM % OF DEFECTS ALLOWED	OPTIMUM TRANSIT TEMP (F)†	CHILLING INJURY?
A				
Anise, Sweet	10-1	15-3	32-36‡	
Apples	10-5-1	15-8-3	30-32	
Apricots	10-5-1	15-8-3	32	
Artichokes	10-2	15-4	32	
Asparagus*	10-5-1	15-8-3	32	
Avocados	10-5-1	15-8-3	40-55	Yes
B				
Bananas	No Stds.		56-58	Yes
Beans, Fava	No Stds.	15-3	32‡	
Beans, Lima	10-5-1	15-8-3	41-43	
Beans. Snap*	13-5-1	18-8-3	40-45	Yes







What to do when customer files bankruptcy



How to preserve your trust rights



Information about potential customers



Guidance on USDA Inspection results



Understanding rights/options in a dispute



Responsibilities of the Grower's Agent under PACA



Maintain a valid PACA license

Written contract with the grower and maintaining adequate records

List functions that both agent and grower will perform and the charges

Issue receiving receipts to grower, file PACA trust notices for grower, account to the grower





Grower's Agent Prompt Accounting

Must account for initial
shipment within 30 days
after receipt of goods



Final accounting for season
shall be made within 30
days from last shipment



Mediation Services



BENEFITS

Parties to conflict achieve greater satisfaction and immediate closure.

Parties more likely to live with the agreement.

Does not place blame.

Increased possibility of future business relations.

Eliminates cost of litigation or processing a formal complaint on all parties involved.





PACA Trust & How it Works

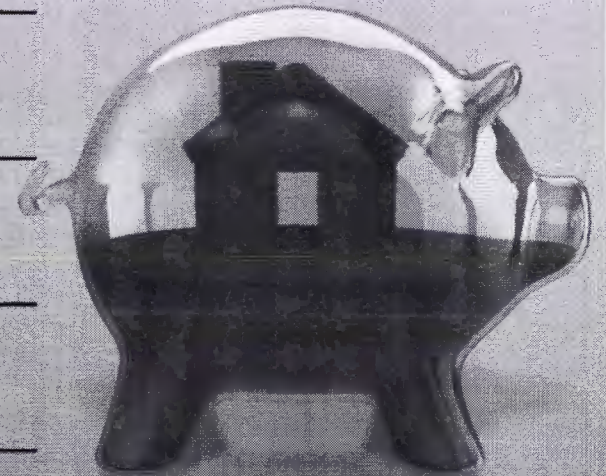
Financial Protection for Sellers

Become secured creditor with priority status

Trust applies to all F & V purchases

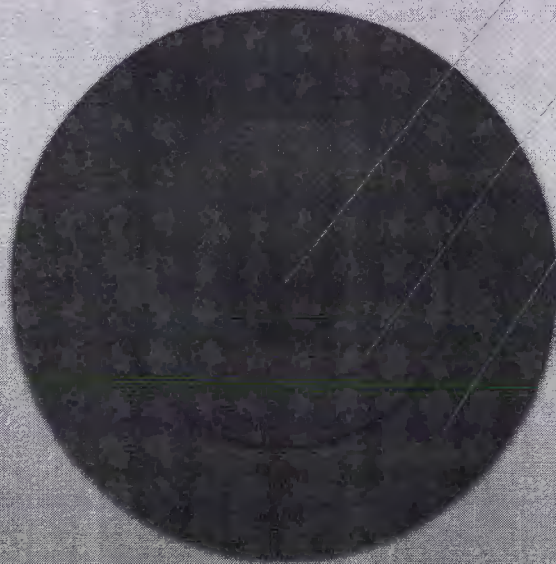
A buyer's insolvency or bankruptcy does not affect its liability

Non-licensees are protected too





What are PACA Trust assets?



Fruit and vegetable inventory

Products derived from fruit and vegetables

All receivables/proceeds from the sale of these fruits and vegetables

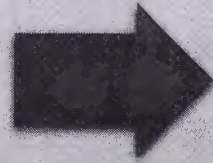




How is payment enforced under PACA Trust?



You must preserve
your trust rights first:



Then pursue payment
through:

- Provide Trust Notice
- Payment terms must be 30 days or less!

- File in U.S. District Court
- If debtor is bankrupt, file a claim with the Bankruptcy Court





Providing Trust Notice



Licensee via "magic
language" on
invoice or
customary billing
instrument

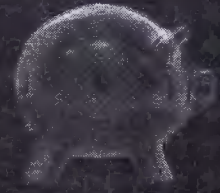
Non-licensee via
separate written
notice providing
material terms of
the transaction

See more details
on our website at
www.ams.usda.gov/paca

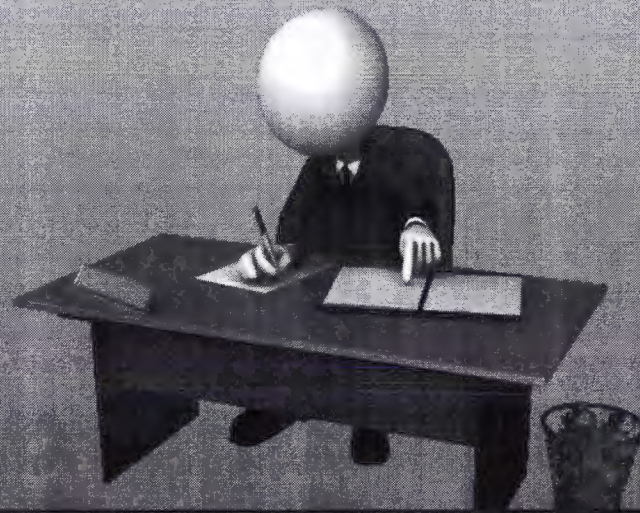




What is the “Magic Language”?



“The perishable agricultural commodities listed on this invoice are sold subject to statutory trust authorized by section 5(c) of the Perishable Agricultural Commodities Act, 1930 (7 U.S.C. 499e(c)). The seller of these commodities retains a trust claim over these commodities, all inventories of food or other products derived from these commodities, and any receivables or proceeds from the sale of these commodities until full payment is received.”





Customer Service Line - 800.495.7222

Option 2 - Inspection and contract questions

Call us directly: Basil Coale

Option 3 – Eastern Regional Office

PACAEast@ams.usda.gov

www.ams.usda.gov/paca





VISITOR REGISTRATION SHEET

Agriculture and Forestry Awareness Study Commission

January 30, 2018

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

David Baker	NCAACC
STEVE PELFREY	NCDOR
Fred Bong	Bong Assoc.
JEFF BARNHART	MWC
Laurie Barnhart	NC GRANGE
NICK AUGOSTINI	NCDACS
Kevin Hardison	NCDACS
Laura Killion	NCDACS
Richard C. Reich	NCDACS
Paul Sherman	NCFB
Ange Maier	NCP



VISITOR REGISTRATION SHEET

Agriculture and Forestry Awareness Study Commission

January 30, 2018

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

Korany Kiger	NCRMA
Elizabeth Robuser	NCRMA
Andy Eller	NCRMA
Amber Harris	N CACC
Lisa Martin	Cap-Adv.
Dick Galtman	hon off of NCRMA
Jesse Butler, MD	Organic Resource Management
John Cooper	Connect



Committee Sergeants at Arms

NAME OF COMMITTEE Agriculture and Forestry Awareness Study Commission

DATE: January 30, 2018

Room: 544 LOB

House Sgt-At Arms:

1. Name: Jonas Cherry

2. Name: David Leighton

3. Name: Russell Salisbury

4. Name: _____

5. Name: _____

Senate Sgt-At Arms:

1. Name: Becky Myrick

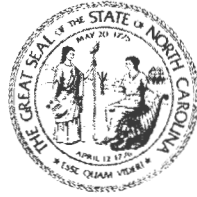
2. Name: Hal Roach

3. Name: _____

4. Name: _____

5. Name: _____





AGRICULTURE AND FORESTRY AWARENESS STUDY COMMISSION

March 22, 2018

**State Legislative Building
Raleigh, North Carolina**

The Agriculture and Forestry Awareness Study Commission met on Tuesday, March 22, 2018 at 1:00 PM. The meeting was held in Room 544 of the Legislative Office Building. 16 members were present.

Sen. Brent Jackson presided.

Sen. Jackson called the meeting to order at 1:02 PM and proceeded to recognize the Sergeant at Arms and asked the Co-chairs if they had any opening remarks.

The Commission then moved into the scheduled agenda with Tony Simpson, Director of the Property Tax Section at the Department of Revenue, giving a presentation on recommendations on property tax abatement for aging farm machinery. (See Attachment # 1)

- Rep. Brody asked a question about the total number of tax dollars impacted if the recommendations were implemented.
 - Mr. Simpson clarified that the estimated number given was only based on the 40 counties surveyed, so the total would be higher. Ms. Chelsie Cornelius from the Department of Revenue Property Tax Section clarified that the data did not include municipalities or fire districts.
- Sen. Jackson asked a clarifying question to get more accurate numbers, and Mr. Simpson indicated that the Department would provide those.
- Rep. Dixon noted the differences between the methods in which counties value and depreciate farm equipment for property tax reasons.

The Commission then heard from Amber Harris of the Association of County Commissioners. She indicated that the association did not endorse any eroding of the local tax base, and cited several purposes that the tax revenue went towards.

- Commission Member Mr. Don Butler asked if the association had an opinion on the new proposal that the committee had reviewed, and Ms. Harris indicated that the association had not yet formulated one.

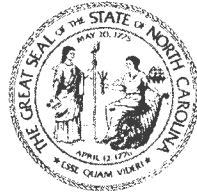
The Commission then heard from Laura Kilian, the Legislative Liaison for the Department of Agriculture and Consumer Services. Ms. Kilian went over proposed changes to the North Carolina Handler's Act. (See Attachment #2)

- Rep. Brody asked if growers have to be bonded, and Sen. Jackson answered that they did not have to be.



2





- Rep. Brody further inquired about restaurants being bonded, and Tien Cheng with the Department indicated that they would under the current draft. Rep. Brody expressed interest in perhaps raising the \$1,000 exemption.
- Agriculture Commissioner Steve Troxler stated that this project is a work-in-progress, and that the goal was to bring North Carolina's statutes in line with surrounding states.
- Mr. Bob Mays with the Department of Insurance was asked to address the Commission and expressed that the Department was ready and willing to help with any bonding questions that arose. He noted that the Department of Insurance does not issue certificates of good standing and had concerns about placing an obligation on the Department of Insurance to report to the Department of Agriculture and Consumer Services about whether a surety is in good standing.

The Commission then moved on to its next presentation, which was given by Laura Kilian, the Legislative Liaison for the Department of Agriculture and Consumer Services, and updated the Commission on the activities of the Industrial Hemp Commission. (See Attachment #3)

- Rep. Dixon inquired about a particular farm mentioned in the presentation that tested above the .3% THC legal threshold.
 - Ms. Kilian indicated that the farm in question had tested between 2 to 3% THC content.
 - Commissioner Troxler further noted that the Department did not believe that marijuana was being grown at that location.
- Rep. Dixon further asked why the farm in question's hemp plant had not been recovered and destroyed.
 - Mr. Phil Wilson, Director of the Plant Industry Division at the Department of Agriculture and Consumer Services noted that the plants had all been removed before action was taken.
- Rep. Dixon indicated that he would like to see the plants testing over the limit destroyed in a timelier manner.
- Rep. Dixon then asked about who bore the costs of the plant testing, and Mr. Wilson indicated that they absorbed the costs.
 - Rep. Dixon expressed interest in looking at funding models that make additional costs shouldered by the hemp industry instead of the Department.
- Rep. Brody inquired about the .3% THC limit, and wanted to know if plants with higher content were natural or willfully done.
 - The Department indicated that they were still studying that topic as part of the program.
- Rep. Brody then asked if the .3% THC limit was federal or state law, and Ms. Kilian indicated that the limit was federal law.
- Mr. Butler asked about methods to test seeds for THC content before they are planted and potential remedies for growers whose crops have to be destroyed because of high THC content.
 - Mr. Wilson indicated that there was not currently a way to test the seeds and that a variety of growing conditions can influence the content. He expounded on the





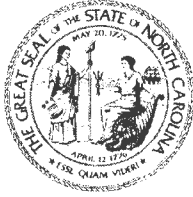
available remedies, stating that it would have to be addressed between the grower and seed supplier.

- Commission Member Mr. Jimmy Gentry of the State Grange asked how the plants were destroyed, and Mr. Wilson informed him that they burn the crops.
- Commissioner Troxler then noted that the program had worked well in North Carolina, but that changes at the federal level were needed to make the program work overall.
- Sen. Jackson asked about the consequences besides destruction of crops to the grower if they had plants that failed a test.
 - Mr. Wilson indicated that growers had, for the most part, been cooperative, and that the Department did not pursue criminal action, but that the local Sheriff was notified of over-the-limit tests.
- Sen. Sanderson commented on testing the seeds for THC content before they are planted.
- Sen. Jackson asked what state North Carolina has received the most seeds from, and Mr. Wilson indicated that it was Colorado.
- Rep. Dixon asked about limits in acreage of hemp grown, and Commissioner Troxler indicated that there was not a limit, but the State can set one.
- Rep. Brody asked about hemp processors and if we had Europeans interested.
 - Mr. Wilson informed the Commission that what they had seen in North Carolina was mainly local and entrepreneur driven.

The Commission then moved on to its last presentation which was by Joe Reardon, Assistant Commissioner for Consumer Protection at the Department of Agriculture and Consumer Services. Mr. Reardon gave the Commission an update on the federal Food Safety Modernization Act implementation.

- Rep. Steinburg asked about a stated statistic of 80% of seafood in NC being imported, and inquired from where it was coming from. He also wanted to know if that number was historically high or low, and further asked if the number was changing.
 - Mr. Reardon indicated that Southeast Asia was where most seafood was imported from, and that the number had not changed much in the last 5 years, but that they expect to see less imports in the future.
- Rep. Steinburg asked if farmers were notified before inspections.
 - Mr. Reardon responded that they do give notification, since it is important to make sure the farmer is onsite, and they stressed the importance of educating before regulating.
- Rep. Brody asked if small farmers were exempt.
 - Mr. Reardon noted that farmers under \$500,000 in sales were exempt, but that they had seen most small farmers still want to get inspected so to ensure that they did not have any issues that needed to be addressed.
- Rep. Brody asked if the farmer paid for the inspections, and Mr. Reardon answered that it was all federally funded with no direct cost to the grower. He indicated that the Department receives \$750,000 to \$1,000,000 of federal money to staff the program.





- Rep. Dixon commented on groups that oppose the agriculture industry but do not understand the industry. He then asked about potential emerging contaminants showing up in the food supply.
 - Commissioner Troxler responded that the Department always works with other agencies and uses the best available science to drive its decision making process.
- Rep. Dixon asked if the Department was on the Science Advisory Board, and Commissioner Troxler answered no. Rep. Dixon indicated that they at least needed to be able to comment on what the board is studying.
- Rep. Brody asked about tests on water withdrawals and the draft "Water Rule".
 - Mr. Reardon indicated that the Department's stance was that the current proposed testing was too frequent.

This concluded the list of presentations and Sen. Jackson announced that the Commission's next meeting would be on April 17, 2018 and that the Commission would be voting on recommendations based on the presentations they have heard.

There being no further business, the meeting adjourned at 2:53 PM.

A handwritten signature in blue ink, appearing to read "Brent Jackson", is written over a horizontal line.

Sen. Brent Jackson, Presiding

A handwritten signature in blue ink, appearing to read "Ross Barnhardt", is written over a horizontal line.

Ross Barnhardt, Committee Clerk



Ross Barnhardt (Sen. Brent Jackson)

From: Ross Barnhardt (Sen. Brent Jackson)
Sent: Friday, March 09, 2018 04:01 PM
To: Ross Barnhardt (Sen. Brent Jackson)
Subject: FW: <NCGA> Agriculture and Forestry Awareness Study Commission Meeting Notice for Thursday, March 22, 2018 at 1:00 PM
Attachments: Add Meeting to Calendar_LINC_.ics

NORTH CAROLINA GENERAL ASSEMBLY
Raleigh, North Carolina 27601

March 9, 2018

MEMORANDUM

TO: Members, Agriculture and Forestry Awareness Study Commission
FROM: Sen. Brent Jackson, Co-Chair
Rep. Jimmy Dixon, Co-Chair
Sen. Bill Cook, Co-Chair
Rep. Bob Steinburg, Co-Chair
Rep. Mark Brody, Co-Chair
Sen. Norman W. Sanderson, Co-Chair
Sen. Andy Wells, Co-Chair
Rep. Kyle Hall, Co-Chair

SUBJECT: Meeting Notice

The **Agriculture and Forestry Awareness Study Commission** will meet at the following time:

DAY	DATE	TIME	LOCATION
Thursday	March 22, 2018	1:00 PM	To be determined

If you are unable to attend or have any questions concerning this meeting, please contact Ross Barnhardt at rossb@ncleg.net.

cc: Committee Record X
Interested Parties X



COMMISSION CO-CHAIRS
SEN. BILL COOK
SEN. BRENT JACKSON
SEN. NORMAN W. SANDERSON
SEN. ANDY WELLS

REP. MARK BRODY
REP. JIMMY DIXON
REP. KYLE HALL
REP. BOB STEINBURG

COMMISSION STAFF
CHRIS SAUNDERS
JENNIFER MCGINNIS
KYLE EVANS
MARIAH MATHESON

545 LEGISLATIVE OFFICE BUILDING
300 NORTH SALISBURY STREET
RALEIGH, NC 27603
(919) 733-2578

General Assembly of North Carolina

Agriculture and Forestry Awareness

Study Commission State Legislative Building Raleigh, North Carolina



EX OFFICIO MEMBERS
MR. JIMMY GENTRY
MR. BOYD McLAURIN
MR. MITCHELL A. PEELE
HON. MICHAEL S. REGAN
HON. STEVEN TROXLER

PUBLIC MEMBERS
MR. ALBERT C. BEATTY
MR. MAURICE K. BERRY, JR.
MR. DAVID L. BURNS
MR. DONALD BUTLER
MS. SUE M. GRAY
MR. C. HOWARD ISLEY
MR. DANNY McCONNELL
MR. MELVIN M. MITCHELL
MR. SHERWOOD PADGETTE
MS. ALICE SCOTT

COMMISSION CLERKS
ROSS BARNHARDT
CAMERON DAWSON

AGENDA

1:00 p.m. Thursday, March 22, 2018
Room 544, Legislative Office Building,
Raleigh, NC

1. Call to order
Senator Brent Jackson, Presiding
2. Introductory remarks by Co-Chairs
3. Department of Revenue recommendations on property tax abatement for aging farm machinery (*15 minutes*)
Tony Simpson, Director, Property Tax Section
Department of Revenue
4. Comments on property tax abatement for aging farm machinery (*10 minutes*)
David Baker, Director of Tax and Revenue Outreach
North Carolina Association of County Commissioners
5. Department of Agriculture recommendations for changes to the North Carolina Handler's Act (*15 minutes*)
Laura Kilian, Legislative Liaison
Department of Agriculture and Consumer Services
6. Update on activities of the Industrial Hemp Commission (*30 minutes*)
Laura Kilian, Legislative Liaison
Department of Agriculture and Consumer Services
7. Update on federal Food Safety Modernization Act implementation (*30 minutes*)
Joe Reardon, Assistant Commissioner for Consumer Protection
Department of Agriculture and Consumer Services

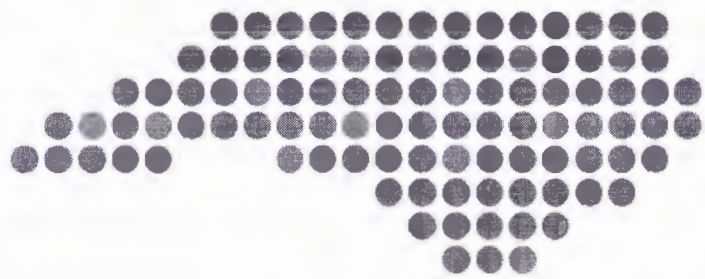
8. Committee discussion and announcements

9. Adjourn

ADDITIONAL INFORMATION:

Persons having questions about the Commission meeting or other matters related to the Commission may contact Chris Saunders, Commission Counsel, or other Commission staff at (919) 733-2578 or may visit the Commissions' website at:

http://www.ncleg.net/gascripts/Committees/committees.asp?sAction=ViewCommittee&sActionDetails=Non-Standing_78



NCDOR

NORTH
CAROLINA
DEPARTMENT
OF REVENUE

Aging Farm Machinery Property Tax Abatement Study

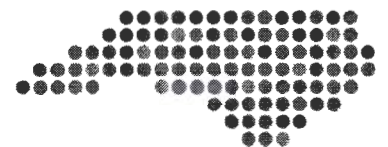
Session Law 2017-108
Senate Bill 615

March 22, 2018



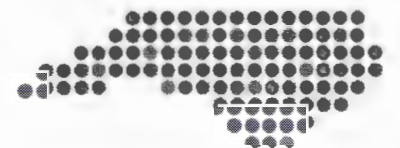
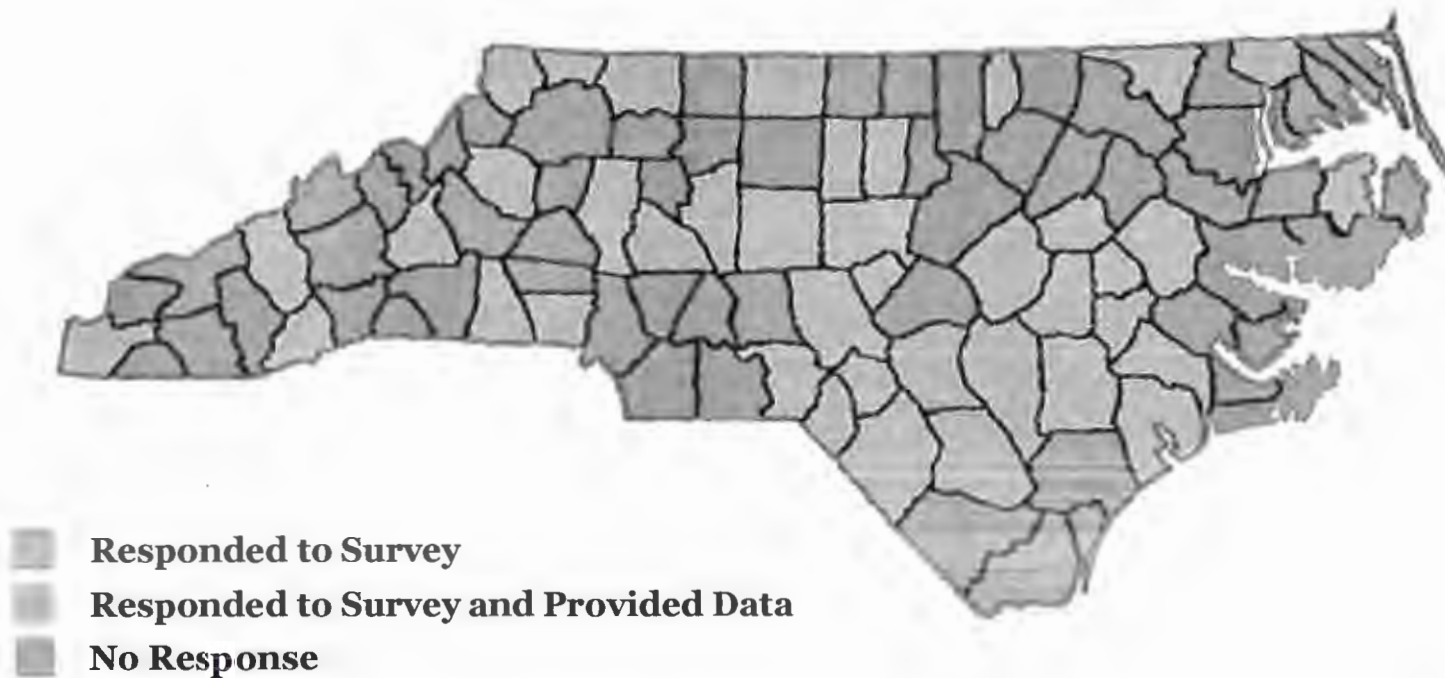
Commission's Additional Research Request:

- Expansion of research to all farm equipment.
- Increased participation from counties.
- Fiscal impact on local governments for potential farm equipment taxation changes.



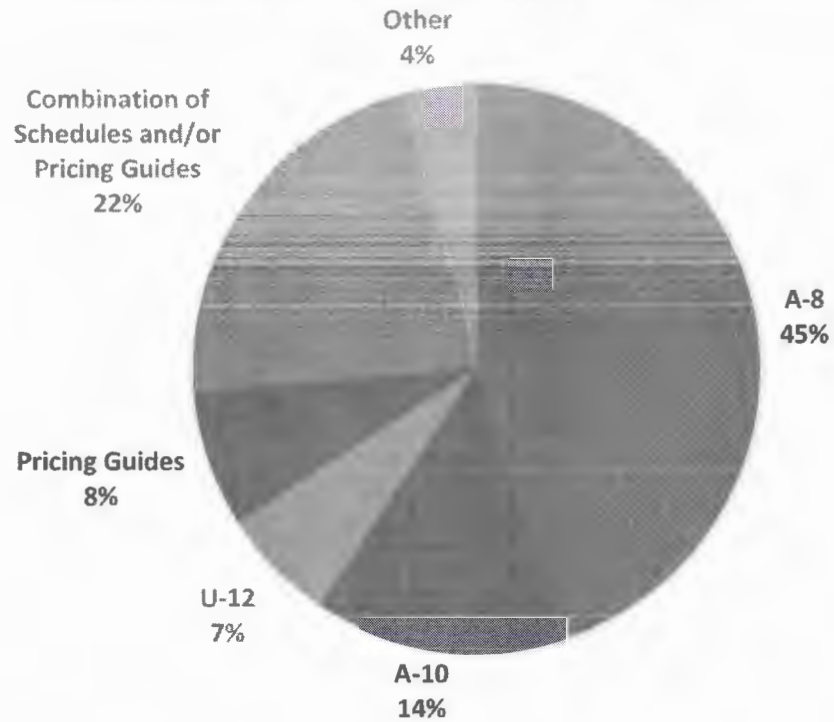


County Farm Equipment Survey Results

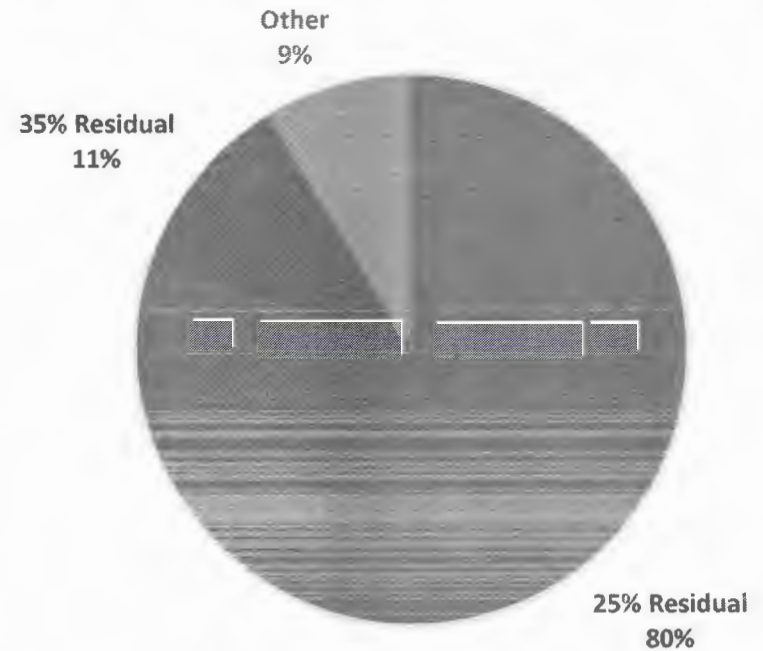




GENERAL FARM EQUIPMENT TAX SCHEDULE

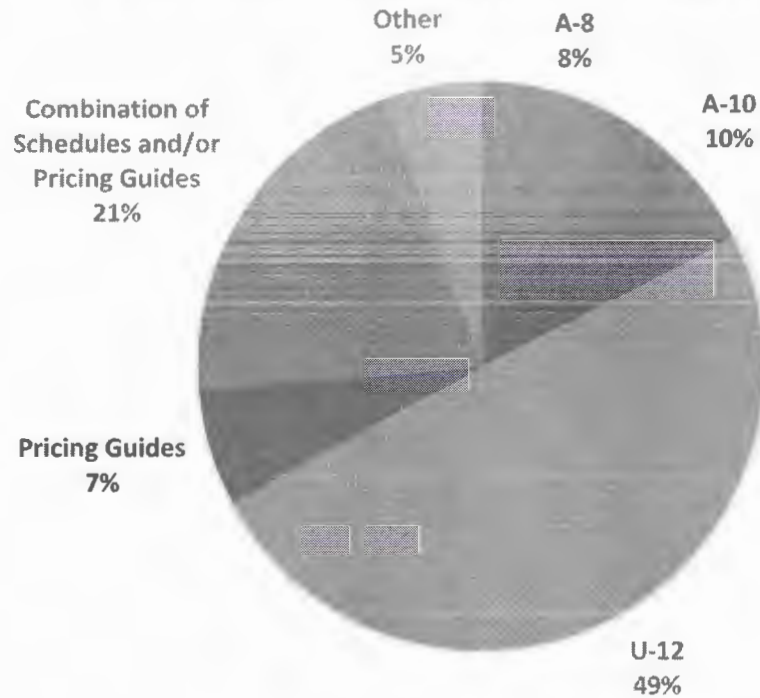


GENERAL FARM EQUIPMENT RESIDUAL VALUE

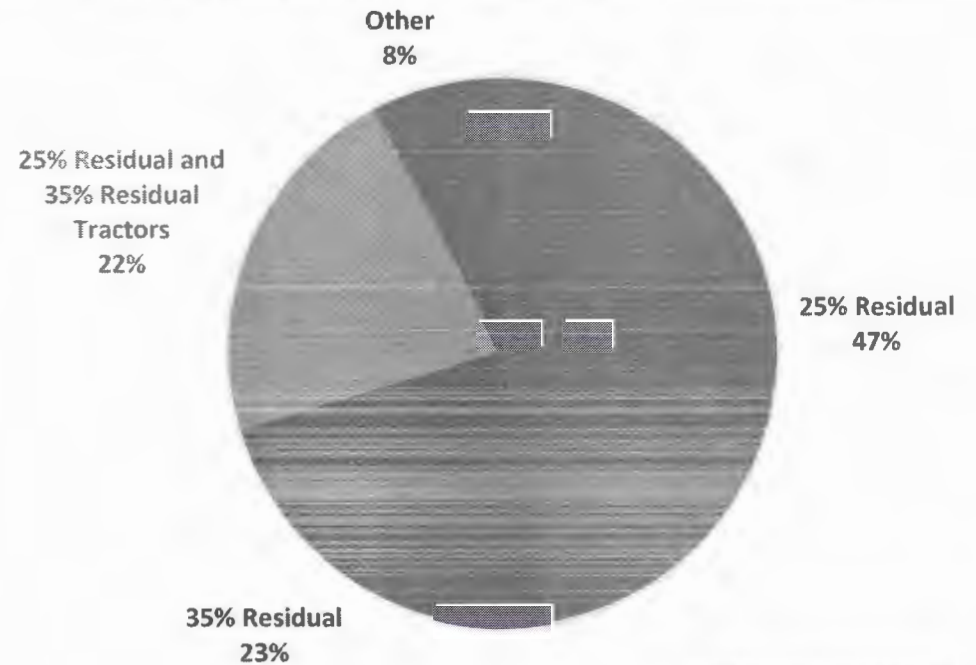




LARGE FARM EQUIPMENT TAX SCHEDULE



LARGE FARM EQUIPMENT RESIDUAL VALUE





Respondent Revenue Data (40 Counties Reporting)

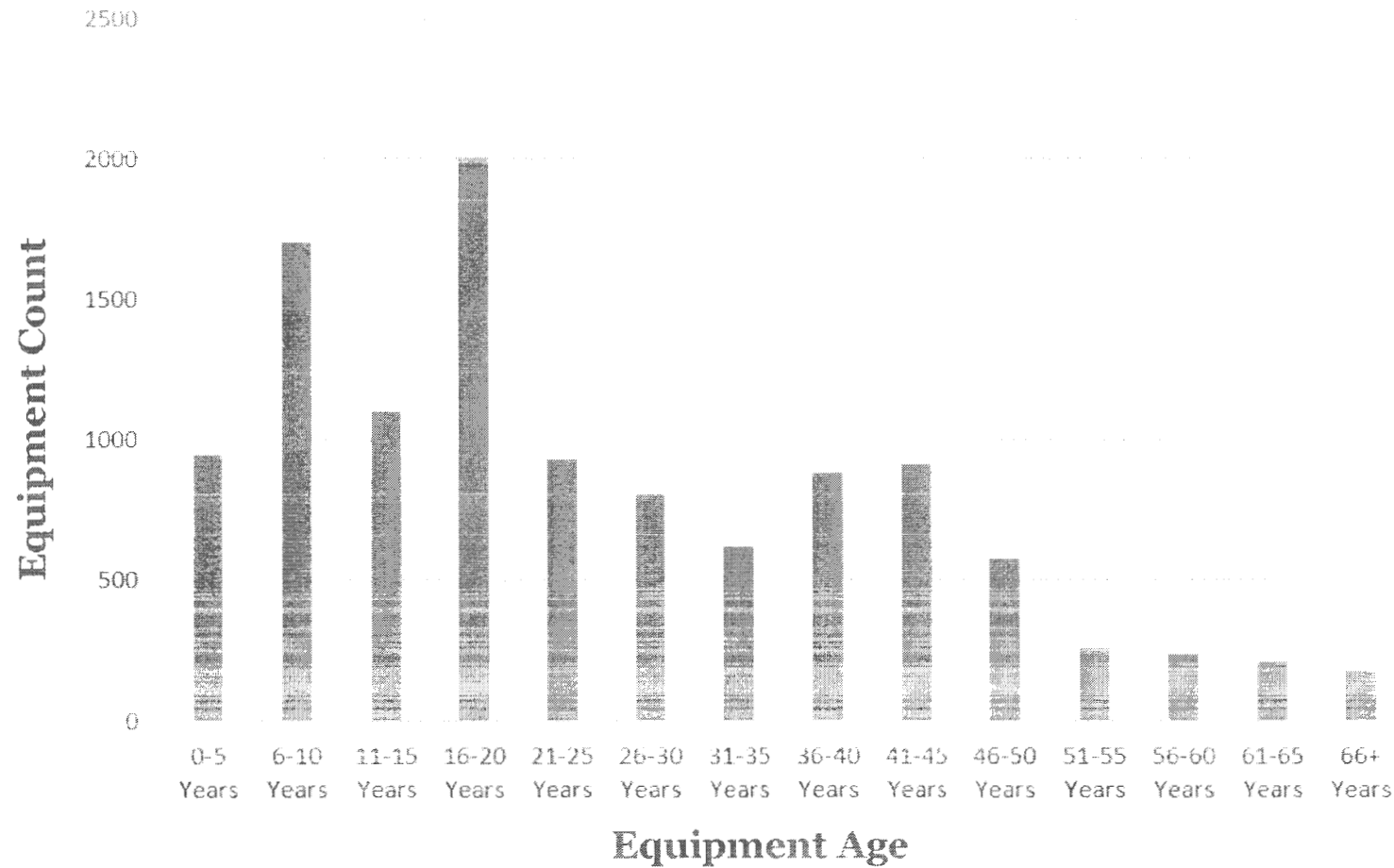
Year Range	Cost	Tax Value	Tax
2012-2016	\$1,050,503,516	\$719,220,556	\$5,278,713
2007-2011	\$766,495,578	\$243,199,574	\$1,714,901
2002-2006	\$481,385,159	\$133,875,737	\$919,282
1997-2001	\$286,688,339	\$79,359,143	\$558,778
1992-1996	\$154,628,577	\$44,148,006	\$317,965
1987-1991	\$78,731,087	\$22,591,929	\$164,793
1986-Older	\$80,726,796	\$23,136,723	\$157,179
Grand Total	\$2,899,159,052	\$1,265,531,668	\$9,111,611

Note: Tax estimates based on published 2017-18 county tax rates. Figures represent base county tax only. Figures do not include additional taxes for municipalities, fire districts, special taxing districts, fees, etc.



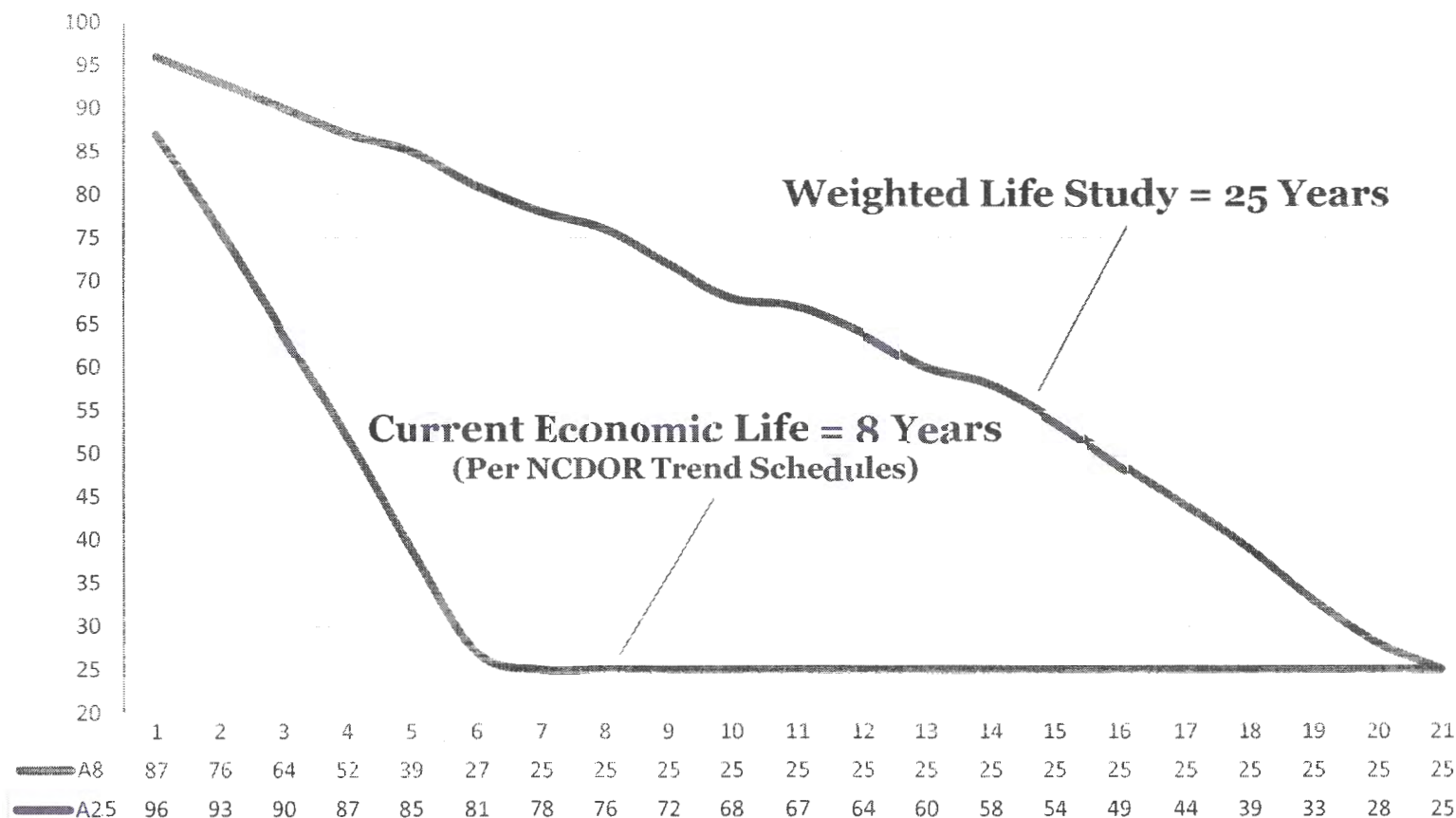


Farm Equipment Age Distribution



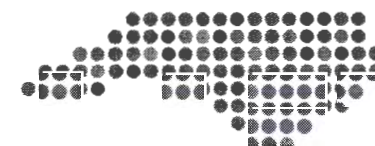
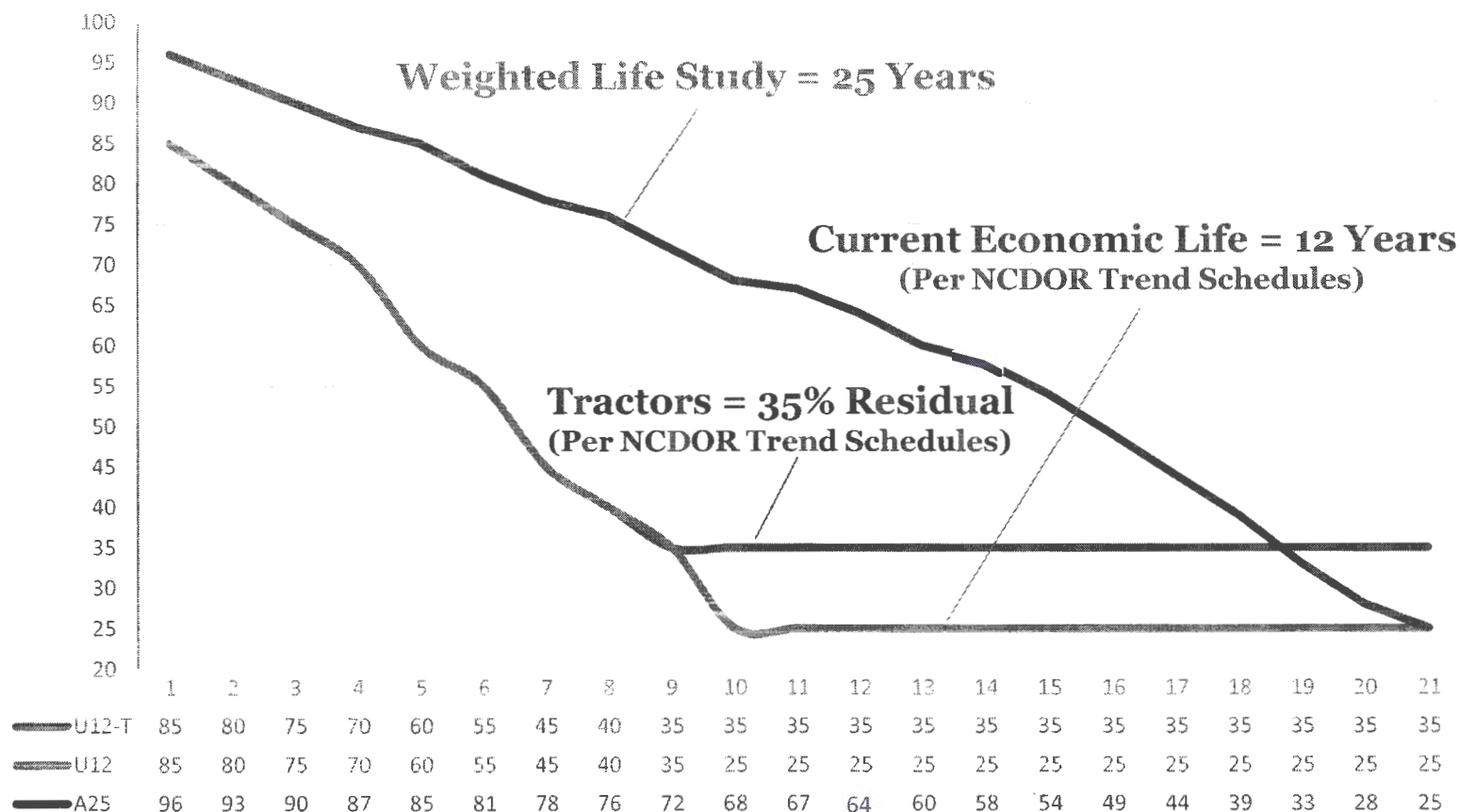


General Farm Equipment Depreciation Chart



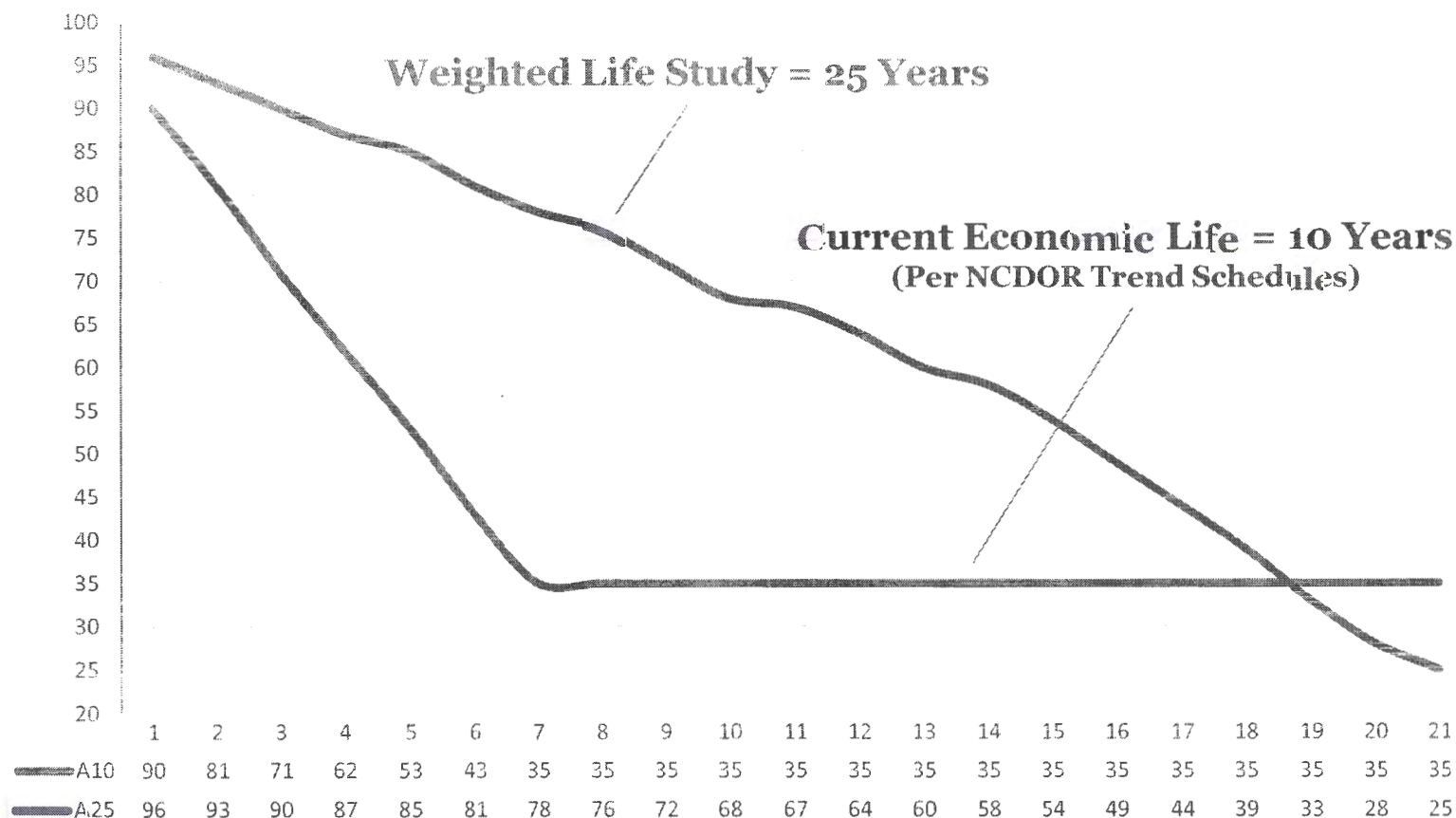


Large Farm Equipment Depreciation Chart

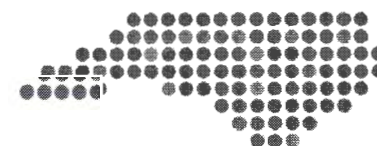




Combined Farm Equipment Depreciation Chart



Note: A-10 schedule with 35% residual is recommended for usage when large farm equipment is not broken out from farm implements.







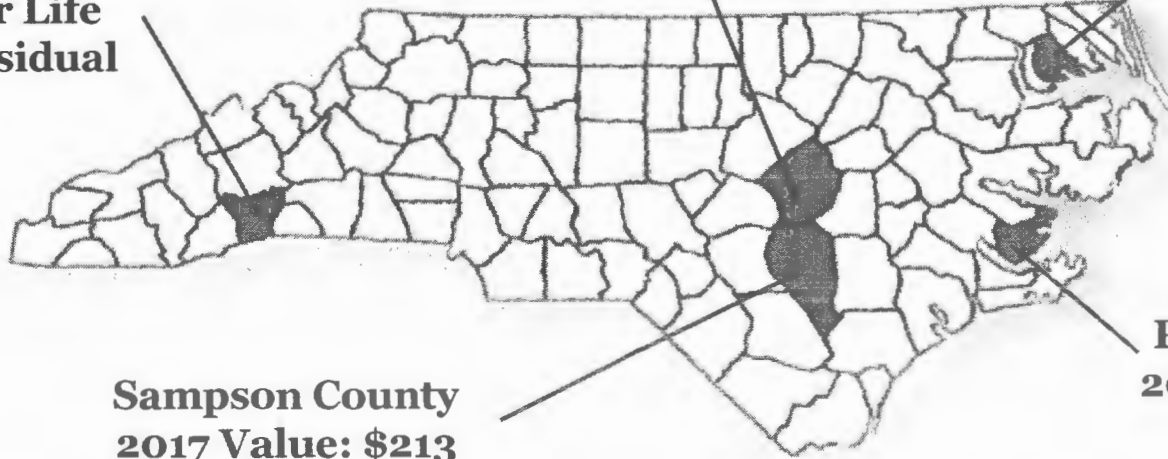
2010 Frontier BB2060

Purchased 2010 \$850

Henderson County
2017 Value: \$383
12 Year Life
25% Residual

Johnston County
2017 Value: \$281
10 Year Life
25% Residual

Perquimans County
2017 Value: \$298
10 Year Life
35% Residual



Sampson County
2017 Value: \$213
8 Year Life
25% Residual

Pamlico County
2017 Value: \$500
8 Year Life
\$500 Residual

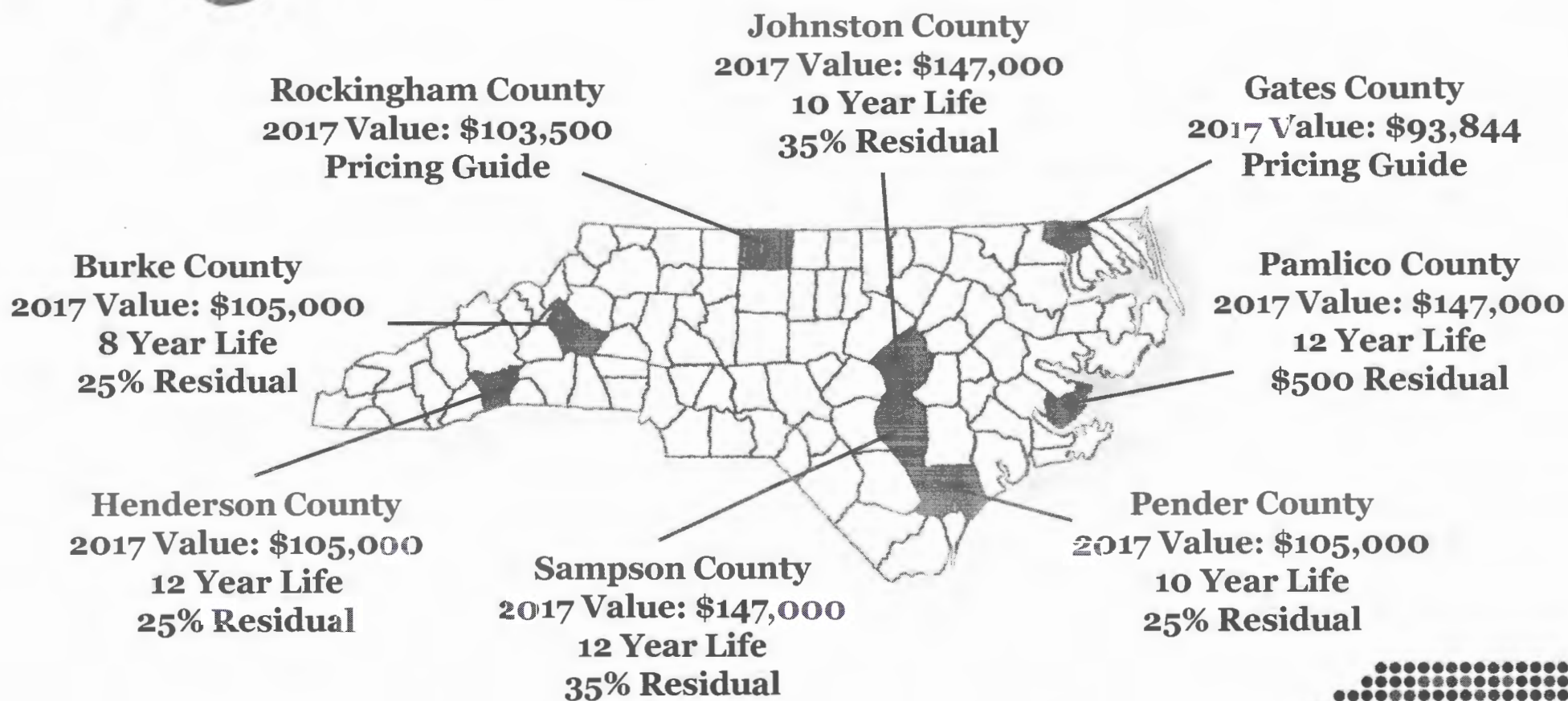






2008 John Deere 9670 STS

Purchased 2008 \$420,000

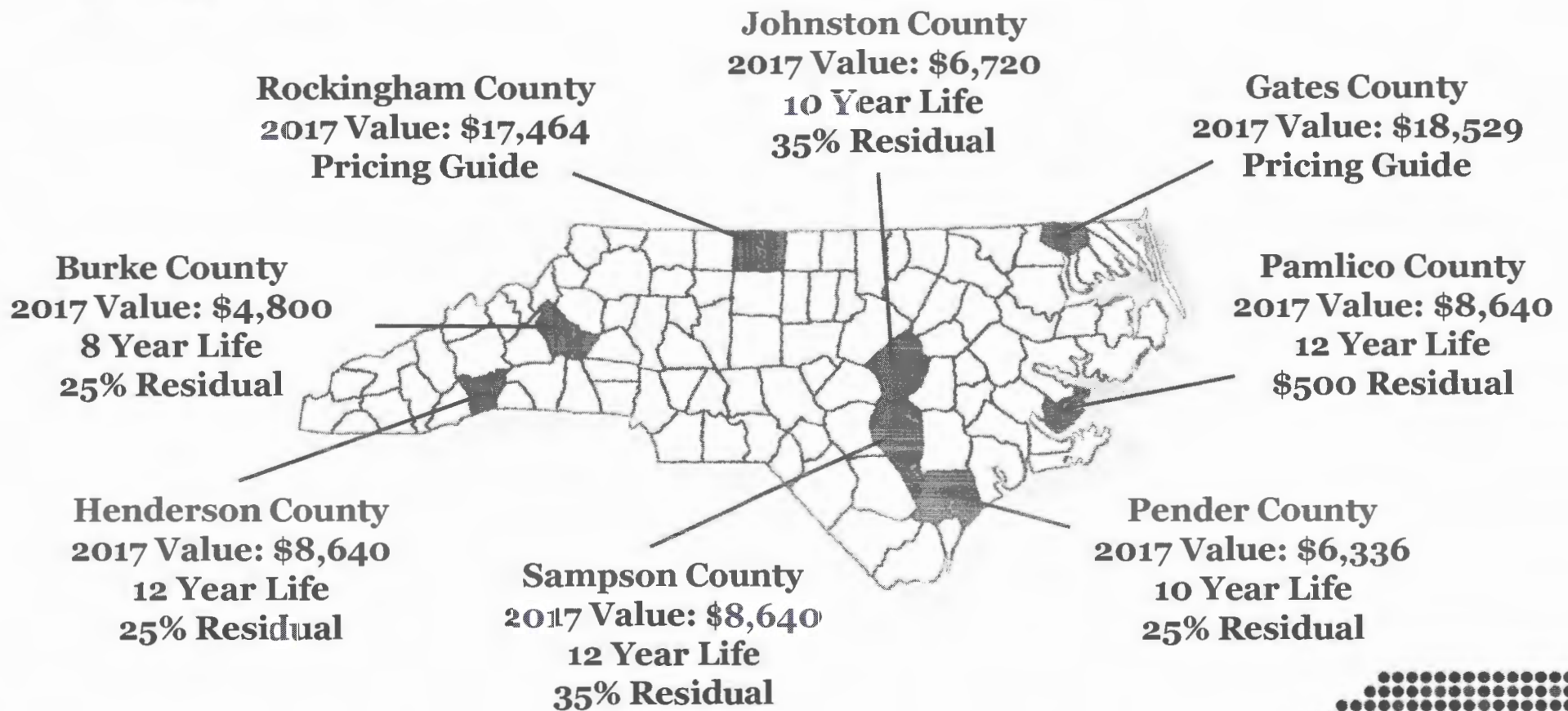






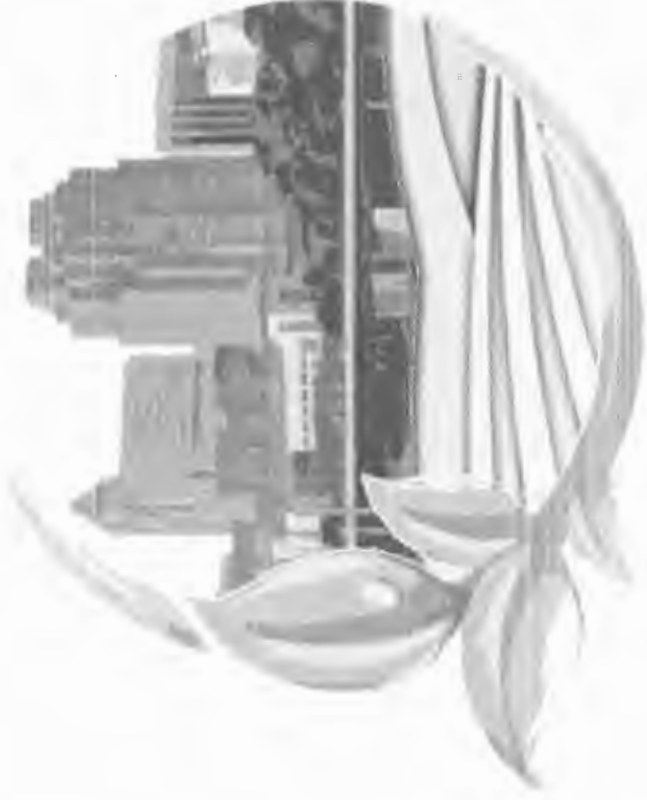
2010 John Deere 5055E

Purchased 2010 \$19,200





Solution





Simplify the Process

- Single Schedule (A-10)
- 10 Year Life
- 25% Residual
- Apply to all farm and ranch equipment.





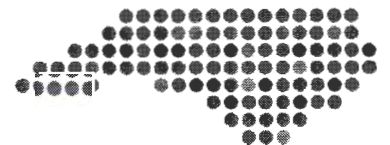
Administrative Advantages:

Counties

- No need to separate equipment
- Listing forms allow for mass appraisal
- Simplified data entry
- Uniformity

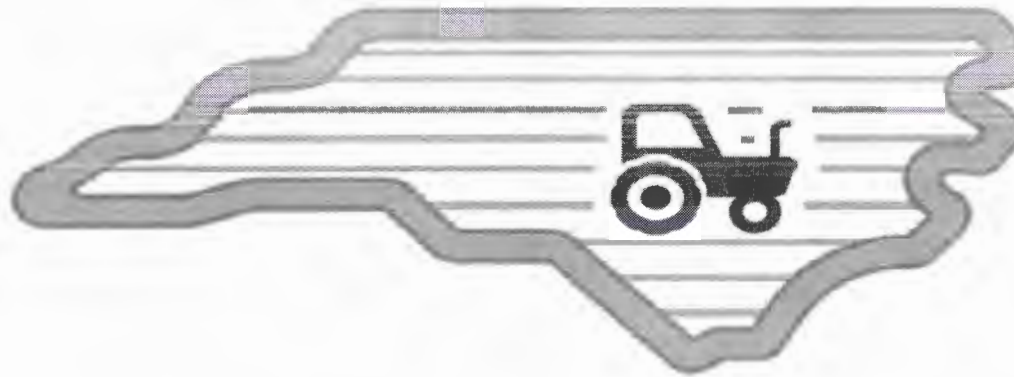
Taxpayers

- Simplifies listing for taxpayer and accountants
- No need to keep separate records for IRS & County
- Uniformity





Questions?



Local Government Division

Tony Simpson, Director

Tina Stone, Personal Property Manager

Chelsie Cornelius, Property Tax Specialist





Proposed Amendments to North Carolina General Statutes Chapter 106, Article 44. Unfair Practices by Handlers of Fruits and Vegetables.

N.C.G.S. § 106-496. Protection against unfair trade practices.

The Board of Agriculture is authorized to make such rules and regulations as it deems necessary to protect producers from loss caused by financial irresponsibility and unfair, harmful or unethical trade practices of handlers who incur financial liability for the purchase or production of fruits and vegetables.

N.C.G.S. § 106-497. Definitions.

(a) "Certificate of deposit" means a certificate of deposit at any recognized financial institution doing business in the United States.

(b) "Commissioner" means the North Carolina Commissioner of Agriculture.

(c) "Consignment" means any transfer of fruits and vegetables by the seller to the custody of another person who acts as the agent for the seller for the purpose of selling such fruits and vegetables.

(c) "Department" means the North Carolina Department of Agriculture and Consumer Services.

(d) "Handler" means any person in the business of buying, receiving, selling, exchanging, negotiating, processing for resale or soliciting the sale, resale, exchange, or transfer of any fruits and vegetables purchased from the producer, received on consignment from the producer, or received to be handled on net return basis from the producer.

(e) "Net return basis" means a purchase for sale of fruits and vegetables from a producer or shipper at an unfixed or unstated price at the time the fruits and vegetables are shipped from the point of origin, and it shall include all purchases made "at the market price," "at net worth," and on



similar terms, which indicate that the buyer is the final arbiter of the price to be paid.

(f) "Person" means a natural person, firm, corporation, or other legal entity.

(g) "Processor" means any person operating any plant in North Carolina that freezes, dehydrates, cans, or otherwise changes the physical form or characteristics of fruits and vegetables.

(h) "Producer" means any person who produces fruits or vegetables, or both.

N.C.G.S. § 106-498. Annual license required.

It shall be unlawful for any handler of fruits and vegetables who comes within the terms of this Article to engage in such business in North Carolina without an annual license issued by the Commissioner.

N.C.G.S. § 106-499. Application for annual license.

(a) Every handler of fruits and vegetables desiring to transact business in North Carolina shall file an application for an annual license with the Commissioner.

(b) The Board of Agriculture may prescribe by regulation the form of the application, the information to be furnished to the Commissioner by the applicant for an annual license, and the date for filing the application.

(c) Applicants are required to pay an initial or renewal license fee, as set by the Board of Agriculture, not to exceed five hundred dollars (\$500), with each application. A penalty, as set by the Board of Agriculture, not to exceed two hundred fifty dollars (\$250), shall be paid by the applicant if the application is filed after the date established by the Board of Agriculture and no license shall be issued until such penalty is paid. Any



fees or late penalties collected by the Commissioner shall be used to help defray the costs of administering this Article.

N.C.G.S. § 106-500. Denial, suspension, or revocation of license.

The Commissioner may decline to grant a license or may suspend or revoke a license already granted if he or she is satisfied that the applicant or licensee has:

- (1) Suffered a money judgment to which that person cannot satisfy or is otherwise insolvent or financially irresponsible;
- (2) Made false charges for handling or services rendered;
- (3) Failed to promptly and properly account and pay any producer;
- (4) Made any false statement or statements as to the condition, quality, or quantity of goods received or held for sale when that person could have ascertained the true condition, quality, or quantity by reasonable inspection;
- (5) Made any false or misleading statement or statements as to market conditions or service rendered;
- (6) The handler has hired a person who has been convicted of a crime involving fraud, deceit, or misrepresentation in any capacity involving the buying, selling, or the handling of payments for fruits and vegetables;
- (7) The handler has failed either to file the required surety bond or certificate of deposit or to keep such surety bond or certificate of deposit in force;
- (8) Provided false or misleading information in the person's application for license; or
- (9) Failed to comply with the terms of this Article any rules promulgated by the Board of Agriculture.



N.C.G.S. § 106-501. Surety bond or certificate of deposit required.

(a) Before any license is issued, the applicant shall make and deliver to the Commissioner a surety bond executed by a surety corporation authorized to transact business in North Carolina and approved by the Commissioner or a certificate of deposit approved by the Commissioner. All surety bonds delivered to the Commissioner shall be accompanied by a certificate of "good standing" issued by the North Carolina Department of Insurance verifying that the surety is authorized to transact business in North Carolina. If any surety issuing a bond shall be removed from doing business in North Carolina, it shall be the duty of the North Carolina Department of Insurance to notify the Commissioner within thirty (30) days of removal. No certificate of deposit may be accepted unless the issuing institution is properly insured by either the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation.

(b) The surety bond or certificate of deposit to secure the faithful performance of that person's obligations as a handler shall be based on the maximum amount of gross business the applicant did in any month in North Carolina during the preceding licensing year or an estimate if the applicant did not engage in business as a handler in North Carolina the preceding year, and in accordance with the following schedule:

Maximum Monthly Gross Business	Bond or Deposit Required
Up to \$25,000.....	\$25,000
\$25,001 to \$50,000.....	\$50,000
\$50,001 to \$75,000.....	\$75,000
\$75,001 to \$100,000.....	\$100,000
\$100,001 to \$125,000.....	\$125,000



\$125,001 to \$150,000.....	\$150,000
\$150,001 to \$175,000.....	\$175,000
\$175,001 to \$200,000.....	\$200,000
\$200,001 to \$225,000.....	\$225,000
\$225,001 or More.....	\$250,000

(c) Surety bonds and certificate of deposits shall have such surety or sureties, financial institution or financial institutions, subject to service of process in suits on the surety bond or certificate of deposit within North Carolina and shall contain such terms and conditions as the Commissioner may prescribe to carry out the purposes of this Article.

(d) Whenever the Commissioner shall determine that a previously approved surety bond or certificate of deposit has for any cause become insufficient, the Commissioner may require an additional surety bond or certificate of deposit to be given, conforming with the requirements of this Article. Unless the additional surety bond or certificate of deposit are given within the time fixed by written demand therefor, or if the surety bond or certificate of deposit of a handler is canceled, the license of such person shall be immediately revoked by operation of law without notice or hearing.

N.C.G.S. § 106-502. Action on surety bond or certificate of deposit by person injured.

Any person claiming to be injured by nonpayment, noncompliance with the terms of a contract, fraud, deceit, negligence, or other misconduct of a handler shall be entitled to sue the handler and his or her sureties upon the surety bond or certificate of deposit in that person's name in any court of competent jurisdiction to recover the damages that person may



have sustained by such breach without any assignment thereof by the Department or the State of North Carolina.

N.C.G.S. § 106-503. Inspection of spoiled, damaged, unmarketable, or unsatisfactory produce before sale.

Whenever fruits and vegetables are shipped to or received by a handler for handling, purchase, or sale in North Carolina, and the handler finds such produce to be in a spoiled, damaged, unmarketable, or unsatisfactory condition, the Department may provide inspection services and execute and deliver a certificate stating the day and the time and place of such inspection and the condition of such produce, and mail or deliver a copy of such certificate to both the handler and producer. The party requesting the inspection shall bear the cost of inspection.

N.C.G.S. § 106-504. Additional powers of Commissioner to enforce Article.

(a) In order to enforce this Article, the Commissioner, upon his or her own motion or upon the verified complaint of any person, shall have the following additional powers:

(1) To inspect or investigate transactions for the sale or delivery of fruits and vegetables to persons acting as handlers; to require verified reports and accounts of all authorized handlers; to examine books, accounts, memoranda, equipment, warehouses, storage, transportation and other facilities, fruits and vegetables, and other articles connected with the business of the handlers; to inquire into failure or refusal of any handlers to accept produce under that person's contracts and to pay for it as agreed;

(2) To suspend or revoke the licenses of persons disobeying the terms of this Article or of rules and regulations made by the Board of Agriculture;



(3) To issue all such rules and regulations, with the approval of the Board of Agriculture, and to appoint necessary agents and to do all other lawful things necessary to carry out the purposes of this Article; and

(4) In addition to the remedies provided in this Article and notwithstanding the existence of any adequate remedy at law, the Commissioner is authorized to apply to any court of competent jurisdiction, and such court shall have jurisdiction upon hearing and for cause shown to grant, for a temporary or permanent injunction, or both, restraining any person from violating or continuing to violate any of the provisions of this Article or any rule or regulation promulgated thereunder. Such injunction shall be issued without bond.

(b) For the purposes specified in Paragraph (a) of this Section, the Commissioner or his or her agents may examine the ledgers, books of accounts, memoranda, and other documents which relate to the transaction involved, at the place or places of business of the applicant or licensee, and may take testimony under oath.

N.C.G.S. § 106-505. Violation of Article or rules made misdemeanor.

Any person who violates the provisions of this Article or the rules and regulations promulgated thereunder shall be guilty of a Class 1 misdemeanor.

N.C.G.S. § 106-506. Civil penalties.

The Commissioner may assess a civil penalty of not more than five thousand dollars (\$5,000) per violation against any person or business entity who violates a provision of this Article or any rule adopted thereunder. In determining the amount of the penalty, the Commissioner shall consider the degree and extent of harm caused by the violation. The clear proceeds of civil penalties assessed pursuant to



this section shall be remitted to the Civil Penalty and Forfeiture Fund in accordance with G.S. 115C-457.2

N.C.G.S. § 106-507. Exceptions to this Article.

This Article does not apply to:

- (1) Farmers or groups of farmers in the sale of fruits and vegetables grown by themselves;
- (2) A handler of fruits and vegetables who pays at the time of purchase with United States cash currency or a cash equivalent, such as a money order, cashier's check, wire transfer, electronic funds transfer, or PIN-based debit transaction, or who pays with a credit card;
- (3) Handlers who purchase less than one thousand dollars (\$1,000) worth of fruits and vegetables from North Carolina producers or their agents or representatives during the peak month of such purchases within the calendar year;
- (4) A handler to the extent that the handler purchases fruits and vegetables from a producer that is owned by the handler or if the handler is owned by the producer, or if both the handler and producer are owned by the same person;
- (5) Fruits and vegetables grown under contract for seed purposes.

N.C.G.S. § 106-508. Bankruptcy.

Nothing in this Article shall be construed as relieving a surety company or financial institution from responsibility for payment on properly established complaints against handlers involved in a federal bankruptcy proceeding.



NC Industrial Hemp Update



Laura Kilian, Legislative Liaison
NC Department of Agriculture and Consumer Services
March 22, 2018



History

- *Authorized in Farm Bill 2014*
- *NC passed in 2015 G.S.106-568.50*





What is Industrial Hemp

- *Cannabis sativa* L. with a THC content of 0.3% or less.
- Many uses
 - Fiber (stem)
 - Food (seeds)
 - Pharmaceutical extracts (cannabinoids, or CBDs) from floral bracts





- # Industrial Hemp Program
- ## Participants as of 2/27/18
- 149 Licensed Industrial Hemp Growers
 - 2476 Licensed Field Acres
 - 322,144 Licensed Square Feet of Greenhouse production





NCDA&CS PARTICIPATION

- Research Stations Division
- Plant Industry Division
- Food and Drug Division
- Agronomic Division





Pilot Program Updates

- Very high interest levels
- Challenges for growers:
 - Soil types
 - Pests
 - Drying process
 - Marketplace opportunities





Pilot Program Updates

- Acquiring industrial hemp seed
 - Import Permits
 - NC Attorney General Advisory Letter





Research

- NC State, NC A&T, NCDA&CS
 - Variety trials and studies
- Farmers
 - Survey sent out by the Commission





NC Hemp Marketing

- Processor registration
- Hemp flower is currently the most developed/highest demand in the industry.
- Co-op growers who sell for fiber
- Some licensees grow for grain





Compliance Issues

- 14 out of 135 industrial hemp samples collected by NCDA&CS Plant Industry staff tested above the 0.3% THC limit.
- Growers were mostly cooperative, some resistance
- Good communication and assistance with local Sheriff's Department





Legal Climate of CBD in NC

- Controlled Substances Act (CSA)
- Law regarding DEA Authority
- Law regarding FDA Authority





Legislative Recommendations

- Change statute definition of "Certified Seed" and add definition for "Verified Seed" in G.S. 106-568.51
- Set fees in rule, not statute





DEA Interactions

- June 2017 meeting
- Further interactions
- May 2017 Attorney General advisory letter





Contact Information

Phil Wilson –Director, Plant Industry Division
919-707-3732 or phil.wilson@ncagr.gov

Meghan Roche – Field Supervisor, Seed and
Fertilizer Section
919-707-3735 or Meghan.roche@ncagr.gov

Emily Febles-NCSU Industrial Hemp Program
Manager 919-515-7389 or elfebles@ncsu.edu
or industrialhemp.ces.ncsu.edu



QUESTIONS?







VISITOR REGISTRATION SHEET

Agriculture and Forestry Awareness Study Commission 3/22/18
 Name of Committee Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
John Nicholson	NC DER
Joe Reardon	NC DARS
Bob Mays	NC DOI
Amy Basen	NC ACC
Ashton Godwin	WRC
Amber Harris	NC ACC
Hugh Johnson	NC ACC
Brooks Reiner Pearson	SELC
Mg Maule Abell	SELC



VISITOR REGISTRATION SHEET

Agriculture and Forestry Awareness Study Commission 3/22/18
Name of Committee Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME

FIRM OR AGENCY AND ADDRESS

R Clark	NCDACS
JEFF BARNHART	MWC
Jamie Barnhart	GRANGE
MARY CLEMENS	NCHHA
SANDY STEUART	NC Industrial Hemp Commission
Paul Sherman	NCFB
Kory Kiger	NCRMA
Andy Eller	NCRMA
Tien Cheng	NC DACS
Anna Hayworth	NCDACS
Angie Maier	NC Park



VISITOR REGISTRATION SHEET

Agriculture and Forestry Awareness Study Commission 3/22/18
Name of Committee Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME _____

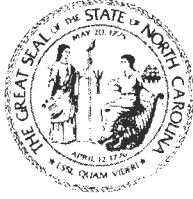
FIRM OR AGENCY AND ADDRESS

Phil Wilson

NCDA + CS Plant Industry

Elizabeth Robinson

NORMA



AGRICULTURE AND FORESTRY AWARENESS STUDY COMMISSION

April 17, 2018

Room 544 of the Legislative Office Building

The Agriculture and Forestry Awareness Study Commission met on Tuesday, April 17, 2018 at 1:00 PM. The meeting was held in Room 544 of the Legislative Office Building. There were 15 total Commission Members present. Co-Chairs present were: Senator Bill Cook, Senator Brent Jackson, Representative Mark Brody, Representative Kyle Hall, and Representative Bob Steinburg. Public members present were: Mitchell Peele, Michael Regan, Steve Troxler, Albert Beatty, Maurice Berry Jr., Donald Butler, Sue Gray, C. Howard Isley, Melvin Mitchell, and Sherwood Padgett.

Representative Mark Brody presided.

Representative Brody called the meeting to order at 1:05 pm.

Representative Brody introduced the Sergeants at Arms from both the House and Senate that assisted the Commission meeting. House Sgt. at Arms were: Warren Hawkins, Kenneth Gilbert, Doug Harris, Malachi McCullough, and Glen Wall. Senate Sgt. at Arms were: Jim Hamilton and Becky Myrick.

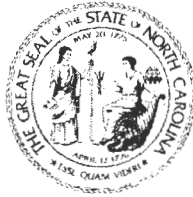
Representative Brody recognized the Commission Co-Chairs and the Honorable Steve Troxler, NC Commissioner of Agriculture, to make introductory remarks. Commissioner Troxler gave a brief report on the damage done by tornados in Greensboro earlier in the week.

Representative Brody then asked if there was a motion to approve the January 30, 2018 and March 22, 2018 meeting minutes. Senator Cook made the motion to approve both meeting minutes and the motion passed unanimously.

Representative Brody moved into the presentations portion of the meeting.

Representative Brody first recognized Bob Crumley, Chairman of the North Carolina Industrial Hemp Association, to present an industry perspective of the State's industrial hemp program. Mr. Crumley stated that North Carolina's hemp industry is already thriving even though pilot program hemp farmers are only going into their second harvest season. He stated that projected revenues for North Carolina's hemp industry are expected to reach about 100 to 150 million for 2018 which will spur economic growth and business development opportunities across the state. Mr. Crumley explained how North Carolina is a great state to grow hemp due to its proximity to the equator, soil type, and proximity to water and how hemp can be used for fiber and oil (seed





and extract oil). He also explained how hemp is in high demand throughout the country and North Carolina has taken a lead in producing and selling it in just a short amount of time.

Mr. Crumley continued his presentation by sharing some of the needs for the hemp industry. Among them are: access to grants/funding, a clear legislative policy on hemp, and educating the public about hemp to avoid misinformation. One of the most pressing needs of the hemp industry is a seed processing plant centrally located in the state to service hemp farmers. Following Mr. Crumley's presentation there was an extensive question and answer period about the hemp industry.

Representative Brody recognized three additional speakers to briefly address the Commission: Marty Clemons (President of the North Carolina Hemp Association), Blake Butler (hempX), and Gary Sikes (Bio-Regen). All the speakers shared their involvement with the hemp industry and examples of how successful it has been in the first harvest season.

Representative Brody then recognized Steve Benjamin, Standards Division Director for the Department of Agriculture and Consumer Services, to present an overview of Department of Agriculture and Consumer Services Standards Division and the price-scanning inspection program.

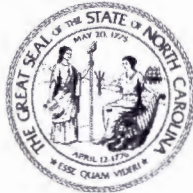
Mr. Benjamin started his presentation by having the Commission watch a short video (<https://www.youtube.com/watch?v=PkJMTHsNAb8>) titled, "NCDA & CS Standards Division ensures you get what you pay for at the grocery store" from the Department of Agriculture website. The video showed how inspectors from the Standards Division check the scales and price scanners when they visit grocery stores to ensure people get what they pay for.

The second portion of Mr. Benjamin's presentation was a PowerPoint slide titled, "Price Verification Inspections," (see Attachment 1) which discussed authority for inspections, the mission for the inspections, how to conduct price verification inspections and follow-up inspections, data relating to price verification inspections, and staffing to conduct inspections. This presentation was followed by a brief question and answer period.

Representative Brody then recognized Laura Kilian, Legislative Liaison for the Department of Agriculture and Consumer Services, to present the Department of Agriculture recommendation regarding confidentiality of certain reports.

Representative Brody then recognized Chris Saunders, Commission Staff, to present the proposed Agriculture and Forestry Awareness Study Commission Report to the 2018 Session of the 2017 General Assembly of North Carolina (see Attachment 2). Mr. Saunders explained the legislative proposals to the Commission. The presentation was followed by a brief question and answer period.





Senator Jackson made a motion to approve the Agriculture and Forestry Awareness Study Commission Report to the 2018 Session of the 2017 General Assembly of North Carolina. The motion was seconded by Senator Cook and passed unanimously.

There being no further business, the meeting adjourned at 2:44 pm.

A handwritten signature in blue ink, appearing to read "Mary Ann", is written over a horizontal line.

Presiding

A handwritten signature in blue ink, appearing to read "Neva Helms", is written over a horizontal line.

Neva Helms, Committee Clerk





NORTH CAROLINA GENERAL ASSEMBLY

Raleigh, North Carolina 27601

July 31, 2018

MEMORANDUM

TO: Members, Agriculture and Forestry Awareness Study Commission
FROM: Sen. Brent Jackson, Co-Chair
Rep. Jimmy Dixon, Co-Chair
Sen. Bill Cook, Co-Chair
Rep. Bob Steinburg, Co-Chair
Rep. Mark Brody, Co-Chair
Sen. Norman W. Sanderson, Co-Chair
Sen. Andy Wells, Co-Chair
Rep. Kyle Hall, Co-Chair

SUBJECT: Meeting Notice

The **Agriculture and Forestry Awareness Study Commission** will meet at the following time:

DAY	DATE	TIME	LOCATION
Tuesday	April 17, 2018	1:00 PM	544 LOB

Rep. Mark Brody Chairing

Neva Helms, Committee Clerk

Agenda:

1. Call to order
Representative Brody, Presiding
2. Introductory remarks by Co-Chairs
3. Approval of minutes from the January 30, 2018, and March 22, 2018, meetings of the Commission





4. Industry perspective of the State's industrial hemp program (30 minutes)
Bob Crumley, Chairman
North Carolina Industrial Hemp Association
5. Overview of Department of Agriculture and Consumer Services Standards Division and price-scanning inspection program (30 minutes)
Steve Benjamin, Standards Division Director
Department of Agriculture and Consumer Services
6. Department of Agriculture recommendation regarding confidentiality of certain reports (10 minutes)
Laura Kilian, Legislative Liaison
Department of Agriculture and Consumer Services
7. Approval of Committee Report
8. Committee discussion and announcements
9. Adjourn

ADDITIONAL INFORMATION:

Persons having questions about the Commission meeting or other matters related to the Commission may contact Chris Saunders, Commission Counsel, or other Commission staff at (919) 733-2578 or may visit the Commissions' website at:
http://www.ncleg.net/gascripts/Committees/committees.asp?sAction=ViewCommittee&sActionDetails=Non-Standing_78

Parking for non-legislative meeting attendees is available in the visitor parking deck #75 located on Salisbury Street across from the Legislative Office Building. Parking is also available in the parking lot across Jones Street from the State Library/Archives. You can view a map of downtown by visiting <http://www.ncleg.net/graphics/downtownmap.pdf>.

If you are unable to attend or have any questions concerning this meeting, please contact Neva Helms at brodyla@ncleg.net.

cc: Committee Record ☒
Interested Parties ☒



COMMISSION CO-CHAIRS
SEN. BILL COOK
SEN. BRENT JACKSON
SEN. NORMAN W. SANDERSON
SEN. ANDY WELLS

REP. MARK BRODY
REP. JIMMY DIXON
REP. KYLE HALL
REP. BOB STEINBURG

COMMISSION STAFF
CHRIS SAUNDERS
JENNIFER McGINNIS
KYLE EVANS
MARIAH MATHESON

545 LEGISLATIVE OFFICE BUILDING
300 NORTH SALISBURY STREET
RALEIGH, NC 27603
(919) 733-2578

General Assembly of North Carolina

Agriculture and Forestry Awareness

Study Commission

State Legislative Building
Raleigh, North Carolina



EX OFFICIO MEMBERS
MR. JIMMY GENTRY
MR. BOYD McLAURIN
MR. MITCHELL A. PEELE
HON. MICHAEL S. REGAN
HON. STEVEN TROXLER

PUBLIC MEMBERS
MR. ALBERT C. BEATTY
MR. MAURICE K. BERRY, JR.
MR. DAVID L. BURNS
MR. DONALD BUTLER
MS. SUE M. GRAY
MR. C. HOWARD ISLEY
MR. DANNY McCONNELL
MR. MELVIN M. MITCHELL
MR. SHERWOOD PADGETTE
MS. ALICE SCOTT

COMMISSION CLERKS
ROSS BARNHARDT
CAMERON DAWSON

AGENDA

1:00 p.m. Tuesday, April 17, 2018
Legislative Office Building, Room 545
Raleigh, NC

1. Call to order
Representative Brody, Presiding
2. Introductory remarks by Co-Chairs
3. Approval of minutes from the January 30, 2018, and March 22, 2018, meetings of the Commission
4. Industry perspective of the State's industrial hemp program (30 minutes)
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Laura Kilian, Legislative Liaison
Department of Agriculture and Consumer Services
7. Approval of Committee Report
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9. Adjourn

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http://www.ncleg.net/gascripts/Committees/committees.asp?sAction=ViewCommittee&sActionDetails=Non-Standing_78

AGRICULTURE AND FORESTRY AWARENESS STUDY COMMISSION
January 30th 2018
Room 544 Legislative Office Building

The Agriculture and Forestry Awareness Study Commission met on Tuesday, January 30, 2018 at 1:00pm. The meeting was held in Room 544 of the Legislative Office Building. Commission members present were: Representative Mark Brody-Co Chair; Representative Jimmy Dixon-Co Chair; Representative Kyle Hall-Co Chair; Senator Bill Cook-Co Chair; Senator Brent Jackson-Co Chair; Senator Norman Sanderson-Co Chair; Mr. Mitchell Peele; Ms. Sue Gray; Mr. C. Howard Isley; Mr. Melvin Mitchell; and Ms. Alice Scott.

Representative Kyle Hall presided.

Rep. Hall called the meeting to order at 1:01pm and acknowledged the Sergeants at Arms from both the House and the Senate that assisted the Commission.

Rep. Hall then introduced the Co-Chairs and asked if they had any opening comments. Hearing none, Rep. Hall continued onto the scheduled presentations.

Rep. Hall called on Tony Simpson (Presentation 1).

Cindy Avrette, Legislative Analysis Division, gave a brief introduction to the issue of property tax abatement for aging farm equipment before Mr. Simpson's presentation.

Mr. Simpson is the Director of the Property Tax Section of the North Carolina Department of Revenue; Mr. Simpson discussed the property tax abatement for aging farm machinery.

Mr. Simpson revealed the way in which the information in his presentation was collected and the struggles faced in acquiring complete information from counties across the state. Mr. Simpson also identified the differences that tax abatement will affect each county in particular based on the age distribution of farm machinery and possible changes to the tax abatement. Mr. Simpson then yielded to questions from Commission members.

Sen. Wells asked how taxation of grading equipment and manufacturing equipment would be treated.

Mr. Simpson responded that they would be treated on a similar depreciation schedule with 25% residual value.

Rep. Dixon asked whether recommended schedules from the Department of Revenue have to be followed by the counties.

Mr. Simpson responded that they do not.

Rep. Dixon commented that tractors alone might be only a small percentage of the farm equipment being taxed. He said that the task of the Commission would be to consider at what age to do the tax abatement, and how much to abate.

Mr. Peele asked what would be the fiscal impact of lowering the residual value of the tractors.

Mr. Simpson responded that it would likely be minor.

Mr. Peele asked how the Department came up with different percentages for different equipment.

Mr. Simpson responded that it probably came from pricing guide manuals 20 or 30 years ago.

Rep. Brody asked how counties determine whether a usable piece of equipment is not in use.

Mr. Simpson responded that the county can't exempt it, but if the taxpayer points out that a piece of equipment is not usable or is not in use, the county can come up with a different value.

Rep. Brody asked if there is an appeals process beyond the county.

Mr. Simpson responded that there is.

Sen. Wells asked how the counties are able to use different depreciation schedules when the State cannot make different tax laws for different counties.

Mr. Simpson responded that it's a difference in valuation, not a different system.

Sen. Cook asked about the origin of the 35% residual value for tractors after 10 years.

Mr. Simpson said it was because the market supports the residual value of the tractor. However, if you have information that the market value is going down, then that 35% would not be appropriate.

Sen. Cook also asked Mr. Simpson's opinion on solar equipment receiving tax breaks.

Sen. Jackson asked for an anticipated timeline for looking at all the things that have been raised in this Commission meeting and coming back.

Mr. Simpson said it could be done in a few weeks.

Sen. Jackson said he would like the Department to research this some more and report again at a future meeting.

Rep. Dixon said that he wanted to receive comment from the County Commissioners Association on this issue.

Rep. Hall called on Dr. Richard Reich (Presentation 2).

Dr. Reich is the Assistant Commissioner for Agricultural Services of the North Carolina Department of Agriculture and Consumer Services. Dr. Reich discussed the North Carolina Handler's Act.

Dr. Reich gave a brief history of the Handler's Act before explaining the permitting process. Dr. Reich discussed the number of permits issued in North Carolina and how the state compares with other states in the region. Dr. Reich then explained the penalty process for violating the Handler's Act before yielding to questions.

Sen. Jackson commented that the issue with the current Handler's Act is that it only covers written contracts. He asked how many full-time employees (FTEs) work on the Handler's Act.

Dr. Reich responded that this is one small part of duties for one FTE.

Kevin Hardison, Marketing Specialist at the Department of Agriculture and Consumer Services, said the Handler's Act was less than 10% of his duties, and most of our marketing specialists talk to individual companies to keep them informed of various applicable laws.

Sen. Sanderson asked about the profile of the companies currently licensed under the Handler's Act.

Mr. Hardison said that they are mostly big companies, usually out-of-state with some presence in the State.

Rep. Dixon asked Sen. Jackson whether expanding the Handler's Act would help or hurt food safety.

Sen. Jackson responded that food safety has been industry driven, and he does not think the Handler's Act is hampering farmers. His concern is whether we are treating everyone the same.

Rep. Brody asked why we have the Handler's Act and what would happen if someone made a claim against the bond.

Dr. Reich responded that it came about because there were unscrupulous folks who came to buy produce, took it home before it got paid for, and left the farmer holding the bag.

Mr. Hardison said that since the 1990s, he is not aware of a time when anyone has made a Handler's Act claim against the bond requirement.

Sen. Jackson asked how the Department is promoting the Handler's Act to industry.

Dr. Reich said most of the Department's marketing specialists know the people who buy produce in North Carolina.

Mr. Hardison said they talk to industry professionals and tell them about it if they will be doing business in North Carolina, and also publish the law on the Department's website.

Senator Jackson made a motion that the Commission task the Department's Marketing Division to make a recommendation on the Handler's Act. The motion passed.

Rep. Hall called on Basil Coale for a presentation by phone (Presentation 3).

Mr. Coale is the Regional Director of the Eastern Regional Office, Agriculture Marketing Service, Specialty Crops Program, PACA Division of the United States Department of Agriculture.

Mr. Coale discussed the federal Perishable Agriculture Commodities Act (PACA).

Mr. Coale began his presentation by giving a brief history of PACA and discussed the regional offices and headquarters in Washington, D.C. Mr. Coale explained how PACA works and the necessity behind the Act before moving on to the services provided and license requirements and penalties for non-compliance. Mr. Coale then discussed the PACA complaint process and the dispute resolution procedure. Mr. Coale concluded his presentation by explaining the responsibility of agriculture grower's and PACA Trust assets before yielding to questions from the Commission.

There were technical difficulties in relaying questions to Mr. Coale, and Rep. Hall asked members having questions to submit them to staff in writing.

Rep. Brody asked Sen. Jackson if it is normal to bill a buyer later if you contract to grow a certain amount of produce and ship it.

Sen. Jackson responded that typically, farmers prefer money up front but that doesn't always happen. If you send an invoice with the statutory PACA language, your PACA rights are preserved.

Rep. Brody asked if this was a remedy so farmers don't have to go to court.

Sen. Jackson responded that PACA got started because of folks just not paying. Produce growers and buyers take their responsibilities seriously and companies are rated on their pay scale and how well they pay. If you have a formal PACA filing against you, that is a major concern and you will likely be blackballed.

Rep. Hall thanked everyone for attending and asked for comments from the Commission members.

Rep. Dixon said he would like input on additional agenda items from public members.

There being no further business, the meeting adjourned at 2:44 pm.

Rep. Kyle Hall
Presiding

Cameron Dawson, Committee Clerk





AGRICULTURE AND FORESTRY AWARENESS STUDY COMMISSION

March 22, 2018

**State Legislative Building
Raleigh, North Carolina**

The Agriculture and Forestry Awareness Study Commission met on Tuesday, March 22, 2018 at 1:00 PM. The meeting was held in Room 544 of the Legislative Office Building. 16 members were present.

Sen. Brent Jackson presided.

Sen. Jackson called the meeting to order at 1:02 PM and proceeded to recognize the Sergeant at Arms and asked the Co-chairs if they had any opening remarks.

The Commission then moved into the scheduled agenda with Tony Simpson, Director of the Property Tax Section at the Department of Revenue, giving a presentation on recommendations on property tax abatement for aging farm machinery. (See Attachment # 1)

- Rep. Brody asked a question about the total number of tax dollars impacted if the recommendations were implemented.
 - Mr. Simpson clarified that the estimated number given was only based on the 40 counties surveyed, so the total would be higher. Ms. Chelsie Cornelius from the Department of Revenue Property Tax Section clarified that the data did not include municipalities or fire districts.
- Sen. Jackson asked a clarifying question to get more accurate numbers, and Mr. Simpson indicated that the Department would provide those.
- Rep. Dixon noted the differences between the methods in which counties value and depreciate farm equipment for property tax reasons.

The Commission then heard from Amber Harris of the Association of County Commissioners. She indicated that the association did not endorse any eroding of the local tax base, and cited several purposes that the tax revenue went towards.

- Commission Member Mr. Don Butler asked if the association had an opinion on the new proposal that the committee had reviewed, and Ms. Harris indicated that the association had not yet formulated one.

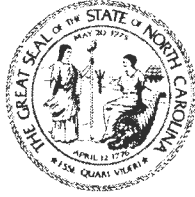
The Commission then heard from Laura Kilian, the Legislative Liaison for the Department of Agriculture and Consumer Services. Ms. Kilian went over proposed changes to the North Carolina Handler's Act. (See Attachment #2)



- Rep. Brody asked if growers have to be bonded, and Sen. Jackson answered that they did not have to be.
- Rep. Brody further inquired about restaurants being bonded, and Tien Cheng with the Department indicated that they would under the current draft. Rep. Brody expressed interest in perhaps raising the \$1,000 exemption.
- Agriculture Commissioner Steve Troxler stated that this project is a work-in-progress, and that the goal was to bring North Carolina's statutes in line with surrounding states.
- Mr. Bob Mays with the Department of Insurance was asked to address the Commission and expressed that the Department was ready and willing to help with any bonding questions that arose. He noted that the Department of Insurance does not issue certificates of good standing and had concerns about placing an obligation on the Department of Insurance to report to the Department of Agriculture and Consumer Services about whether a surety is in good standing.

The Commission then moved on to its next presentation, which was given by Laura Kilian, the Legislative Liaison for the Department of Agriculture and Consumer Services, and updated the Commission on the activities of the Industrial Hemp Commission. (See Attachment #3)

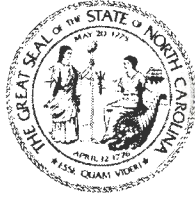
- Rep. Dixon inquired about a particular farm mentioned in the presentation that tested above the .3% THC legal threshold.
 - Ms. Kilian indicated that the farm in question had tested between 2 to 3% THC content.
 - Commissioner Troxler further noted that the Department did not believe that marijuana was being grown at that location.
- Rep. Dixon further asked why the farm in question's hemp plant had not been recovered and destroyed.
 - Mr. Phil Wilson, Director of the Plant Industry Division at the Department of Agriculture and Consumer Services noted that the plants had all been removed before action was taken.
- Rep. Dixon indicated that he would like to see the plants testing over the limit destroyed in a timelier manner.
- Rep. Dixon then asked about who bore the costs of the plant testing, and Mr. Wilson indicated that they absorbed the costs.
 - Rep. Dixon expressed interest in looking at funding models that make additional costs shouldered by the hemp industry instead of the Department.
- Rep. Brody inquired about the .3% THC limit, and wanted to know if plants with higher content were natural or willfully done.
 - The Department indicated that they were still studying that topic as part of the program.
- Rep. Brody then asked if the .3% THC limit was federal or state law, and Ms. Kilian indicated that the limit was federal law.
- Mr. Butler asked about methods to test seeds for THC content before they are planted and potential remedies for growers whose crops have to be destroyed because of high THC content.



- Mr. Wilson indicated that there was not currently a way to test the seeds and that a variety of growing conditions can influence the content. He expounded on the available remedies, stating that it would have to be addressed between the grower and seed supplier.
- Commission Member Mr. Jimmy Gentry of the State Grange asked how the plants were destroyed, and Mr. Wilson informed him that they burn the crops.
- Commissioner Troxler then noted that the program had worked well in North Carolina, but that changes at the federal level were needed to make the program work overall.
- Sen. Jackson asked about the consequences besides destruction of crops to the grower if they had plants that failed a test.
 - Mr. Wilson indicated that growers had, for the most part, been cooperative, and that the Department did not pursue criminal action, but that the local Sheriff was notified of over-the-limit tests.
- Sen. Sanderson commented on testing the seeds for THC content before they are planted.
- Sen. Jackson asked what state North Carolina has received the most seeds from, and Mr. Wilson indicated that it was Colorado.
- Rep. Dixon asked about limits in acreage of hemp grown, and Commissioner Troxler indicated that there was not a limit, but the State can set one.
- Rep. Brody asked about hemp processors and if we had Europeans interested.
 - Mr. Wilson informed the Commission that what they had seen in North Carolina was mainly local and entrepreneur driven.

The Commission then moved on to its last presentation which was by Joe Reardon, Assistant Commissioner for Consumer Protection at the Department of Agriculture and Consumer Services. Mr. Reardon gave the Commission an update on the federal Food Safety Modernization Act implementation.

- Rep. Steinburg asked about a stated statistic of 50% of seafood in NC being imported, and inquired from where it was coming from. He also wanted to know if that number was historically high or low, and further asked if the number was changing.
 - Mr. Reardon indicated that Southeast Asia was where most seafood was imported from, and that the number had not changed much in the last 5 years, but that they expect to see less imports in the future.
- Rep. Steinburg asked if farmers were notified before inspections.
 - Mr. Reardon responded that they do give notification, since it is important to make sure the farmer is onsite, and they stressed the importance of educating before regulating.
- Rep. Brody asked if small farmers were exempt.
 - Mr. Reardon noted that farmers under \$500,000 in sales were exempt, but that they had seen most small farmers still want to get inspected so to ensure that they did not have any issues that needed to be addressed.
- Rep. Brody asked if the farmer paid for the inspections, and Mr. Reardon answered that it was all federally funded with no direct cost to the grower. He indicated that the Department receives \$750,000 to \$1,000,000 of federal money to staff the program.



- Rep. Dixon commented on groups that oppose the agriculture industry but do not understand the industry. He then asked about potential emerging contaminants showing up in the food supply.
 - Commissioner Troxler responded that the Department always works with other agencies and uses the best available science to drive its decision making process.
- Rep. Dixon asked if the Department was on the Science Advisory Board, and Commissioner Troxler answered no. Rep. Dixon indicated that they at least needed to be able to comment on what the board is studying.
- Rep. Brody asked about tests on water withdrawals and the draft "Water Rule".
 - Mr. Reardon indicated that the Department's stance was that the current proposed testing was too frequent.

This concluded the list of presentations and Sen. Jackson announced that the Commission's next meeting would be on April 17, 2018 and that the Commission would be voting on recommendations based on the presentations they have heard.

There being no further business, the meeting adjourned at 2:53 PM.

Sen. Brent Jackson, Presiding

Ross Barnhardt, Committee Clerk



North Carolina Department of Agriculture &
Consumer Services

Standards Division

Price Verification Inspections

Stephen Benjamin, Director

April 17, 2018



Authority for Inspections

- ▶ G.S. 81A-1 authorizes the Commissioner to establish a Weights and Measures Program
- ▶ G.S. 81A-23. **Misrepresentation of pricing.** No person shall misrepresent the price of any commodity or service sold, offered, exposed, or advertised for sale by weight, measure, or count, nor represent the price in any manner calculated or tending to mislead or in any way deceive a person. (1975, c. 544.)

Our Mission

“To ensure equity, safety, and quality in the marketplaces of North Carolina for all consumers, manufacturers, and merchants.”

In performing this mission, we also have a role in consumer protection through the variety of inspections we perform, including:

- Scales in commercial use

- Retail fuel dispensers and other petroleum meters

- Fuel quality

- Net content of packages

- Price verification

Conducting a Price Verification Inspection

- ▶ Select 50-100 random items, to include various areas, including items from any advertisements on the premises.
- ▶ We duplicate the bar code on each item selected.
- ▶ Duplicate bar codes are then scanned at the register, simulating a sale.
- ▶ The register receipt is then compared against advertised prices on the shelf or other signage. We use the lowest advertised price.
- ▶ Any incorrectly priced items are noted on the inspection. Only overcharges, are considered when calculating a failure rate.

Follow-up Inspections

- ▶ Once a location has failed, a 300 item follow-up inspection will be conducted in about 30 days.
- ▶ Follow-up inspections will continue every 60 days until the store achieves 2% or less overcharged items.
- ▶ Civil Penalties are assessed on each failed follow-up inspection. Penalties begin at \$150 plus \$15 per overcharged items that were found available for sale. Maximum penalty is \$5000. The base charge increases by \$500 for each subsequent inspection.

Price Verification Inspections

FY 2016-17

- ▶ 2,666 inspections
- ▶ 152 failed
- ▶ 26 civil penalties assessed

FY 2017-18

- ▶ 2,211 inspections
- ▶ 134 failed
- ▶ 22 civil penalties assessed

Staffing

- ▶ **11 Weights and Measures inspectors**, in addition to price verifications, also inspect small scales, net content of packages, taxi meters and other scale/scanner related inspections.
- ▶ **9 Dual Role inspectors**, that perform the above duties in addition to inspection of retail motor fuel devices.
- ▶ **12 Gasoline and Oil inspectors** that inspect only retail motor fuel devices

Thank you

Stephen Benjamin
Standards Division Director
(919) 707-3226
Steve.Benjamin@ncagr.gov

NORTH CAROLINA GENERAL ASSEMBLY



AGRICULTURE AND FORESTRY AWARENESS STUDY COMMISSION

REPORT TO THE 2018 SESSION of the 2017 GENERAL ASSEMBLY OF NORTH CAROLINA

APRIL 17, 2018

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TRANSMITTAL LETTER

April 1, 2018

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TO THE MEMBERS OF THE 2018 REGULAR SESSION
OF THE 2017 GENERAL ASSEMBLY

Pursuant to Article 19 of Chapter 120 of the General Statutes, the AGRICULTURE AND FORESTRY AWARENESS STUDY COMMISSION, respectfully submits the following report to the 2018 Regular Session of the 2017 General Assembly.

Sen. Bill Cook (Co-Chair)

Rep. Mark Brody (Co-Chair)

Sen. Brent Jackson (Co-Chair)

Rep. Jimmy Dixon (Co-Chair)

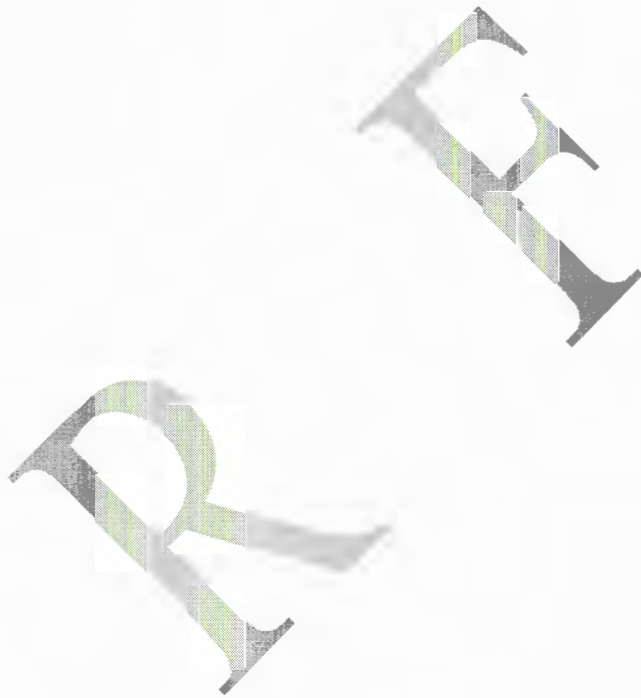
Sen. Norman W. Sanderson (Co-Chair)

Rep. Kyle Hall (Co-Chair)

Sen. Andy Wells (Co-Chair)

Rep. Bob Steinburg (Co-Chair)

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COMMISSION PROCEEDINGS

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The Agriculture and Forestry Awareness Study Commission met two times after the 2017 Regular Session. The following is a brief summary of the Commission's proceedings. Detailed minutes and information from each Commission meeting are available in the Legislative Library.

AGENDA

1:00 p.m. Tuesday, January 30, 2018
Room 544, Legislative Office Building,
Raleigh, NC

1. Call to order
Representative Kyle Hall, Presiding
2. Introductory Remarks by Co-Chairs
3. Presentation on property tax abatement for aging farm machinery
Tony Simpson, Director, Property Tax Section
Department of Revenue
4. Overview of the North Carolina Handler's Act
Dr. Richard Reich, Assistant Commissioner for Agricultural Services
Department of Agriculture and Consumer Services
5. Overview of the federal Perishable Agricultural Commodities Act
Basil Coale, Regional Director, Eastern Regional Office
Agricultural Marketing Service, Specialty Crops Program, PACA Division
United States Department of Agriculture
6. Committee discussion and announcements
7. Adjourn

The first meeting of the Agriculture and Forestry Study Awareness Commission was held on Tuesday, January 30, 2018 at 1:00 p.m. in Room 544 of the Legislative Office Building. Representative Kyle Hall presided.

Ms. Cindy Avrette, Staff Attorney, Legislative Analysis Division, presented an introduction to property tax in North Carolina, including how it is levied, how it was created, and how it can be changed.

Mr. Tony Simpson, Director, Property Tax Section, Department of Revenue (DOR), presented on property tax abatement for aging farm machinery, particularly tractors. The presentation was based on a study conducted by the Property Tax Section, and estimated that complete abatement of property tax on aging machinery would result in \$17 million of lost tax revenue. County response for the study was low, so the Section had to supplement data on equipment inventory and value with USDA census information. Rather than a complete abatement, Mr. Simpson recommended extending the depreciation schedule on tractors from 8 to 12 years.

The Commission discussed how aging farm equipment is valued and depreciated. The Commission also discussed how counties are not required to follow DOR's depreciation schedule, but may use different methods of determining property tax. The Commission wanted to ensure that any changes to property tax calculations would move towards a simpler, more equitable tax scheme. Mr. Simpson promised to look into expanding the scope of the study, and returning to the Commission with more information and recommendations.

Dr. Richard Reich, Assistant Commissioner for Agricultural Services, Department of Agriculture and Consumer Services, presented on the North Carolina Food Handler's Act. In North Carolina, the Handler's Act applies only to written, not spot, contracts, and affects primarily cucumber and sweet potato sales. As of Dr. Reich's presentation, only 19 companies have received permits under the NC Handler's Act. The fine for failing to obtain a permit is \$25.

The Commission discussed removing the written contract requirement from the Handler's Act to bring the Act in line with other states' acts. The Commission also discussed whether the Handler's Act promotes food safety, the purpose for the Handler's Act, and how the Handler's Act was being promoted to industry. The Commission urged the Department of Agriculture and Consumer Services to look into fixing the Handler's Act, or doing away with it altogether.

Mr. Basil Coale, Regional Director, United States Department of Agriculture, presented on the Perishable Agricultural Commodities Act (PACA), via phone. The presentation gave a thorough overview of PACA's purpose, authority, and history. Mr. Coale also walked the Commission through PACA's dispute resolution process.

While there were no direct questions for Mr. Coale, the Commission discussed PACA's role in the industry, and expressed a hope that the NC Handler's Act could be reshaped to capture the regulatory gaps in PACA.

AGENDA

1:00 p.m. Thursday, March 22, 2018
Room 544, Legislative Office Building,
Raleigh, NC

1. Call to order
Senator Brent Jackson, Presiding
2. Introductory remarks by Co-Chairs
3. Department of Revenue recommendations on property tax abatement for aging farm machinery (*15 minutes*)
Tony Simpson, Director, Property Tax Section
Department of Revenue
4. Comments on property tax abatement for aging farm machinery (*10 minutes*)
David Baker, Director of Tax and Revenue Outreach
North Carolina Association of County Commissioners
5. Department of Agriculture recommendations for changes to the North Carolina Handler's Act (*15 minutes*)
Laura Kilian, Legislative Liaison
Department of Agriculture and Consumer Services
6. Update on activities of the Industrial Hemp Commission (*30 minutes*)
Laura Kilian, Legislative Liaison
Department of Agriculture and Consumer Services
7. Update on federal Food Safety Modernization Act implementation (*30 minutes*)
Joe Reardon, Assistant Commissioner for Consumer Protection
Department of Agriculture and Consumer Services
8. Committee discussion and announcements
9. Adjourn

The second meeting of the Agriculture and Forestry Study Awareness Commission was held on Thursday, March 22, 2018 at 1:00 p.m. in Room 544 of the Legislative Office Building. Senator Brent Jackson presided.

Mr. Tony Simpson, Director, Property Tax Section, Department of Revenue (DOR), updated the Commission on the Section's property tax abatement study. The Property Tax Section expanded the study to look at all aging farm equipment, and had input from several counties. DOR proposed moving to a single schedule for all aging farm equipment, using a 10-year lifespan with a 25% residual value.

The Commission discussed the scope of the study, comparing the estimated tax loss of total abatement against the proposed DOR schedule, and the variation between counties in valuing aging farm equipment.

Ms. Amber Harris, North Carolina Association of County Commissioners, delivered a short statement to the Commission informing it that the Association was opposed to any reduction to a county's tax base, and is open to work with counties to provide DOR more information for its study. She also said that the Association would review DOR's proposed depreciation schedule.

Ms. Laura Kilian, Legislative Liaison, Department of Agriculture and Consumer Services, presented the Department's proposal for changes to the North Carolina Handler's Act. The proposed changes would comprehensively change the Act, including expanding "handler" to include spot contracts, creating a sliding-scale surety bond, adding yearly renewal requirements, penalties for noncompliance, and additional changes.

The Commission discussed the extended scope of the proposed Handler's Act, and whether there should be additional exemptions for small-scale buyers of agricultural products. Commissioner Steve Troxler, Department of Agriculture and Consumer Services, indicated that the proposed changes strike a balance between encouraging business, protecting North Carolina farmers, and updating North Carolina's version of the Handler's Act to match neighboring state schemes.

Mr. Robert Mays, Legislative Liaison, North Carolina Department of Insurance, delivered a brief statement to the Commission, noting that the Department does not currently have all of the mechanisms in place to support the proposed changes, but is willing to work with the Department of Agriculture and Consumer Services to ensure that the proposed changes are effective.

Ms. Laura Kilian, Legislative Liaison, Department of Agriculture and Consumer Services, then presented on the Department's Industrial Hemp Pilot Program. Overall, the program has seen some success, but the industry is slow to grow due to uncertainty over federal drug laws and concern for the future of the industry. Ms. Kilian shared with the Commission lessons learned when testing hemp for compliance, as well as policies adopted when destroying noncomplying product.

The Commission discussed on ensuring that noncompliant hemp was properly destroyed, whether and to what extent noncompliant hemp could occur naturally, what actions, if any, are taken against growers of noncompliant hemp, and how the hemp is destroyed. The Commission also discussed whether it was possible to test the seed for compliance before growing the crop, where the majority of North Carolina's hemp seed is imported from, and which sectors of the hemp industry are seeing the most growth.

Mr. Joe Reardon, Assistant Commissioner, Department of Agriculture and Consumer Services, updated the Commission on implementation of the Food Safety Modernization Act (FSMA). FSMA's importance is growing, as demand for foreign food products grows and our population becomes more vulnerable to foodborne illness. The Department is working with North Carolina State University and others to implement FSMA in a uniform, consistent, and productive manner.

The Commission discussed on how our demand for foreign seafood has changed and will change in the future, the benefits of FSMA certification to farmers, the FSMA inspection training and process, and required testing. The Commission also asked the Department of Agriculture and Consumer Services to provide the Secretary's Science Advisory Board with input as the Board works to develop health goals for the emerging contaminant GenX.

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REF

COMMISSION MEMBERSHIP

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2017-2018

Co-Chairs

[Rep. Mark Brody](#)

Ex Officio

[Rep. Jimmy Dixon](#)

Ex Officio

[Rep. Kyle Hall](#)

House Appointment

[Rep. Bob Steinburg](#)

Ex Officio

[Sen. Bill Cook](#)

Ex Officio

[Sen. Brent Jackson](#)

Senate Appointment

[Sen. Norman W. Sanderson](#)

Ex Officio

[Sen. Andy Wells](#)

Ex Officio

Ex Officio Members

Mr. Jimmy Gentry

Ex Officio

Mr. Boyd McLaurin

Ex Officio

Mr. Mitchell A. Peele

Ex Officio

Mr. Michael S. Regan

Ex Officio

Hon. Steven Troxler

Ex Officio

Public Members

Mr. Albert C. Beatty

Governor's Appointment

Mr. Maurice K. Berry, Jr.

Other Appointment

Mr. David L. Burns

Governor's Appointment

Ms. Donald Butler

Senate Appointment

Ms. Sue M. Gray

House Appointment

Mr. C. Howard Isley

House Appointment

Mr. Danny McConnell

Senate Appointment

Mr. Melvin M. Mitchell

Governor's Appointment

Mr. Sherwood Padgett

Senate Appointment

Ms. Alice H. Scott

House Appointment

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STATUTORY AUTHORITY

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Article 19.

Agriculture and Forestry Awareness Study Commission.

§ 120-150. Creation; appointment of members.

There is created an Agriculture and Forestry Awareness Study Commission. Members of the Commission shall be citizens of North Carolina who are interested in the vitality of the agriculture and forestry sectors of the State's economy. Members shall be as follows:

- (1) Three appointed by the Governor.
- (2) Three appointed by the President Pro Tempore of the Senate.
- (3) Three appointed by the Speaker of the House.
- (4) The chairs of the House Agriculture Committee.
- (5) The chairs of the Senate Committee on Agriculture, Environment, and Natural Resources.
- (6) The Commissioner of Agriculture or the Commissioner's designee.
- (7) A member of the Board of Agriculture designated by the chair of the Board of Agriculture.
- (8) The President of the North Carolina Farm Bureau Federation, Inc., or the President's designee.
- (9) The President of the North Carolina State Grange or the President's designee.
- (10) The Secretary of Environmental Quality or the Secretary's designee.
- (11) The President of the North Carolina Forestry Association, Inc., or the President's designee.

Members shall be appointed for two-year terms beginning October 1 of each odd-numbered year. The Chairs of the House Agriculture Committee and the Chairs of the Senate Committee on Agriculture, Environment, and Natural Resources shall serve as cochairs. The President Pro Tempore of the Senate and the Speaker of the House of Representatives may each appoint an additional member of the Senate and House, respectively, to serve as cochair. If appointed, these cochairs shall be voting members of the Commission.

§ 120-151. Advisory Committee.

Upon proper motion and by a vote of a majority of the members present, the Commission may appoint an Advisory Committee. Members of the Advisory Committee should be from the various organizations, commodity groups, associations, and councils representing agriculture and forestry. The purpose of the Advisory Committee shall be to render technical advice and assistance to the Commission. The Advisory Committee shall consist of no more than 20 members plus a chairman who shall be appointed by the cochairmen of the Commission.

§ 120-152. Subsistence and travel expenses.

The members of the Commission who are members of the General Assembly shall receive subsistence and travel allowances at the rate set forth in G.S. 120-3.1. Members who are officials or employees of the State of North Carolina shall receive subsistence and travel allowances at the rate set forth in G.S. 138-6. All other members plus the Chairman of the Advisory Committee shall be paid the per diem allowances at the rates set forth in G.S. 138-5. Other members of the Advisory Committee shall serve on a voluntary basis and not receive subsistence and travel expenses.

§ 120-153. Facilities and staff.

The Commission may hold its meetings in the State Legislative Building with the approval of the Legislative Services Commission. The Legislative Services Commission shall provide necessary professional and clerical assistance to the Commission.

§ 120-154. Duties.

The Commission shall bring to the attention of the General Assembly the influence of agriculture and forestry on the economy of the State, develop alternatives for increasing the public awareness of agriculture and forestry, study the present status of agriculture and forestry, identify problems limiting future growth and development of the industry, develop an awareness of the importance of science and technological development to the future of agriculture and forestry industries, and formulate plans for new State initiatives and support for agriculture and forestry and for the expansion of opportunities in these sectors.

In conducting its study the Commission may hold public hearings and meetings across the State.

The Commission shall report to the General Assembly at least one month prior to the first regular session of each General Assembly.

LEGISLATIVE PROPOSALS

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GENERAL ASSEMBLY OF NORTH CAROLINA SESSION 2017

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D

BILL DRAFT 2017-TQ-34 [v.6]

(THIS IS A DRAFT AND IS NOT READY FOR INTRODUCTION)
04/10/2018 12:40:23 PM

Short Title: NC Farm Act of 2018.

(Public)

Sponsors:

Referred to:

A BILL TO BE ENTITLED
AN ACT TO MAKE VARIOUS CHANGES TO THE AGRICULTURAL LAWS.

The General Assembly of North Carolina enacts:

SECTION 1. Article 44 of Chapter 106 of the General Statutes reads as rewritten:
"Article 44.

"Unfair Practices by Handlers of Fruits and Vegetables.

"§ 106-496. Protection against unfair trade practices.

The Board of Agriculture is hereby authorized to ~~make adopt~~ such rules and regulations as it deems necessary to protect producers of fruits and vegetables from loss caused by financial irresponsibility and unfair, harmful or unethical trade practices of handlers who incur financial liability for the purchase or production of fruits and vegetables. A "handler," as used herein, is a person, firm, corporation or other legal entity or his agent or employee who enters into a written contract for the purchase from or production by a producer of fruits and vegetables.

"§ 106-496.1. Definitions.

For the purposes of this Article, the following definitions apply:

(1) "Certificate of deposit" means a certificate of deposit at any recognized financial institution doing business in the United States.

(2) "Commissioner" means the North Carolina Commissioner of Agriculture.

(3) "Consignment" means any transfer of fruits and vegetables by the seller to the custody of another person who acts as the agent for the seller for the purpose of selling such fruits and vegetables.

(4) "Department" means the North Carolina Department of Agriculture and Consumer Services.

(5) "Handler" means any person in the business of buying, receiving, selling, exchanging, negotiating, processing for resale, or soliciting the sale, resale, exchange, or transfer of any fruits and vegetables purchased from a producer, received on consignment from a producer, or received to be handled on a net return basis from a producer.

1 (6) "Net return basis" means a purchase for sale of fruits and vegetables from a producer
2 or shipper at an unfixed or unstated price at the time the fruits and vegetables are shipped from
3 the point of origin, and which shall include all purchases made "at the market price," "at net
4 worth," and on similar terms, which indicate that the buyer is the final arbiter of the price to be
5 paid.

6 (7) "Person" means a natural person, firm, corporation, or other legal entity.

7 (8) "Processor" means any person operating any plant in this State that freezes,
8 dehydrates, cans, or otherwise changes the physical form or characteristics of fruits and
9 vegetables.

10 (9) "Producer" means any person who produces fruits or vegetables, or both, in North
11 Carolina.

12 (10) "Restaurant" means a facility that prepares and sells food directly to consumers for
13 immediate consumption. The term "restaurant" does not include facilities that provide food to
14 interstate conveyances, central kitchens, and other similar facilities that do not prepare and serve
15 food directly to consumers.

16 (11) "Retail establishment" means an establishment that sells fruits and vegetables directly
17 to consumers as its primary function. A retail establishment's primary function is to sell fruits
18 and vegetables directly to consumers if the annual monetary value of sales of fruits and
19 vegetables directly to consumers exceeds the annual monetary value of sales of fruits and
20 vegetables to all other buyers. The term "consumers" does not include businesses.

21 **"§ 106-497. Permits Annual license required.**

22 A handler of fruits and vegetables shall not enter into a written contract with a producer until
23 he obtains a written permit from the Commissioner of Agriculture. The Board of Agriculture may
24 prescribe by regulation the form of the application for a permit, the information to be furnished
25 to the Commissioner by the applicant for a permit and the date for filing the application. A permit
26 shall not be issued until the applicant files on or before the date set by the Board a written request
27 with the Commissioner and files with the request two copies of the applicant's proposed contract.
28 A penalty of twenty five dollars (\$25.00) shall be paid by the applicant if the application is filed
29 after the date established by the Board and no permit shall be issued until such penalty is paid.
30 Any penalties collected by the Commissioner shall be used to help defray the costs of
31 administering Article 44 of Chapter 106.

32 This Article shall not apply to transactions by a handler with a producer on a cash basis.
33 "Cash" as used herein shall include bank bills, checks drawn on banks and bank notes.

34 It shall be unlawful for any handler of fruits and vegetables who acts within the scope of this
35 Article to engage in business as a handler without an annual license issued by the Commissioner.

36 **"§ 106-497.1. Application for annual license.**

37 (a) Every handler of fruits and vegetables desiring to transact business in this State shall
38 file an application for an annual license with the Commissioner.

39 (b) The Board of Agriculture may prescribe by rule the form of the application, the
40 information to be furnished to the Commissioner by the applicant for an annual license, and the
41 date for filing the application.

42 (c) An applicant for an annual license shall pay an initial or renewal license fee, as set by
43 rule by the Board of Agriculture but not to exceed five hundred dollars (\$500), with each
44 application. The applicant shall pay an administrative late fee, as set by rule by the Board of
45 Agriculture but not to exceed two hundred fifty dollars (\$250), if the application is filed after the
46 date established by the Board of Agriculture and the Commissioner shall not issue the license
47 until the penalty is paid. Any fees collected by the Commissioner shall be used to help defray the
48 costs of administering this Article.

49 **"§ 106-497.2. Denial, suspension, or revocation of license.**

1 The Commissioner may decline to grant a license or may suspend or revoke a license already
2 granted if the Commissioner is satisfied that the applicant or licensee has:

- 3 (1) Suffered a money judgment which that person cannot satisfy or is otherwise
4 insolvent or financially irresponsible.
- 5 (2) Made false charges for handling or services rendered.
- 6 (3) Failed to promptly and properly account and pay any producer.
- 7 (4) Made any false statement or statements as to the condition, quality, or quantity
8 of goods received or held for sale when that person could have ascertained the
9 true condition, quality, or quantity by reasonable inspection.
- 10 (5) Made any false or misleading statement or statements as to market conditions
11 or service rendered.
- 12 (6) As a handler, hired a person who has been convicted of a crime involving
13 fraud, deceit, or misrepresentation in any capacity involving the buying,
14 selling, or the handling of payments for fruits and vegetables.
- 15 (7) As a handler, failed either to file the required surety bond or certificate of
16 deposit or to keep such surety bond or certificate of deposit in force.
- 17 (8) Provided false or misleading information in the person's application for
18 license.
- 19 (9) Failed to comply with the terms of this Article or any rules adopted by the
20 Board of Agriculture.

21 **"§ 106-498. Bond Surety bond or certificate of deposit required.**

22 No permit shall be issued to a handler until such handler has furnished the Commissioner of
23 Agriculture a bond satisfactory to the Commissioner in an amount of not less than ten thousand
24 dollars (\$10,000). The Commissioner may require a new bond or he may require the amount of
25 any bond to be increased if he finds it necessary for the protection of the producer. Such bond
26 shall be payable to the State and shall be conditioned upon the fulfilling of all financial
27 obligations incurred by the handler with all producers with whom the handler contracts. Any
28 producer alleging any injury by the fraud, deceit, willful injury or failure to comply with the
29 terms of any written contract by a handler may bring suit on the bond against the principal and
30 his surety in any court of competent jurisdiction and may recover the damages found to be caused
31 by such acts complained of.

32 (a) Before any license is issued, the applicant shall make and deliver to the Commissioner
33 a surety bond executed by a surety corporation authorized to transact business in this State and
34 approved by the Commissioner or a certificate of deposit approved by the Commissioner. No
35 certificate of deposit may be accepted unless the issuing institution is properly insured by either
36 the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance
37 Corporation.

38 (b) The surety bond or certificate of deposit to secure the faithful performance of that
39 person's obligations as a handler shall be based on the maximum amount of gross business the
40 applicant did in any month in this State during the preceding licensing year, or an estimate for
41 the upcoming licensing year if the applicant did not engage in business as a handler in this State
42 during the preceding year, and in accordance with the following schedule:

<u>Maximum Monthly Gross Business</u>	<u>Bond or Deposit Required</u>
<u>Up to \$25,000.....</u>	<u>\$25,000</u>
<u>\$25,001 to \$50,000.....</u>	<u>\$50,000</u>
<u>\$50,001 to \$75,000.....</u>	<u>\$75,000</u>
<u>\$75,001 to \$100,000.....</u>	<u>\$100,000</u>
<u>\$100,001 to \$125,000.....</u>	<u>\$125,000</u>
<u>\$125,001 to \$150,000.....</u>	<u>\$150,000</u>
<u>\$150,001 to \$175,000.....</u>	<u>\$175,000</u>

\$175,001 to \$200,000.....	\$200,000
\$200,001 to \$225,000.....	\$225,000
\$225,001 or More.....	\$250,000

(c) Surety bonds and certificates of deposit shall have such surety or sureties, or financial institution or financial institutions, subject to service of process in suits on the surety bond or certificate of deposit within this State and shall contain such terms and conditions as the Commissioner may prescribe to carry out the purposes of this Article.

(d) Whenever the Commissioner determines that a previously approved surety bond or certificate of deposit has for any reason become insufficient, the Commissioner may require in writing an additional surety bond or certificate of deposit to be given, conforming to the requirements of this Article. Unless the additional surety bond or certificate of deposit is given within the time stated in the Commissioner's demand, or if the surety bond or certificate of deposit of a handler is canceled, the person's license shall be immediately revoked without notice or hearing.

"§ 106-498.1. Action on surety bond or certificate of deposit by producer injured.

Any producer claiming to be injured by nonpayment, noncompliance with the terms of a contract, fraud, deceit, negligence, or other misconduct of a handler may sue the handler and his or her sureties upon the surety bond or certificate of deposit in that producer's name in any court of competent jurisdiction to recover the damages that person may have sustained by such breach without any assignment thereof by the Department or the State.

"§ 106-498.2. Inspection of spoiled, damaged, unmarketable, or unsatisfactory produce before sale.

Whenever fruits and vegetables are shipped to or received by a handler for handling, purchase, or sale in this State, and the handler finds such produce to be in a spoiled, damaged, unmarketable, or unsatisfactory condition, the Department may provide inspection services and execute and deliver a certificate stating the day and the time and place of such inspection and the condition of such produce, and mail or deliver a copy of such certificate to both the handler and producer. The Department may charge and collect fees in accordance with the United States Department of Agriculture laws and rules and the Department's cooperative grading service agreement with the United States Department of Agriculture.

"§ 106-499. Contracts between handlers and producers; approval of Commissioner.

All contracts filed with the Commissioner by an applicant shall be approved by the Commissioner before a permit is issued. The Commissioner may withhold his approval in his discretion if he is of the opinion that the contract is illegal or unfair to the producer, or that the contractor is insolvent or financially irresponsible, or if for any other cause it reasonably appears to him that the contract in question might defeat the purpose of this Article.

"§ 106-500. Additional powers of Commissioner to enforce Article.

(a) In order to enforce this Article, the Commissioner of Agriculture, upon his the Commissioner's own motion or upon the verified complaint of any producer, shall have the following additional powers:

- (1) To inspect or investigate transactions for the sale or delivery of fruits and vegetables to persons acting as handlers; to require verified reports and accounts of all authorized handlers; to examine books, accounts, memoranda, equipment, warehouses, storage, transportation and other facilities, fruits and vegetables and other articles connected with the business of the handlers; to inquire into failure or refusal of any handlers to accept produce under his contracts and to pay for it as agreed; agreed.
- (2) To hold hearings after due notice to interested parties and opportunity to all to be heard; to administer oaths, take testimony and issue subpoenas; to require witnesses to bring with them relevant books, papers, and other evidence; to

1 compel testimony; to make written findings of fact and on the basis of these
2 findings to issue orders in controversies before him, and to revoke the permits
3 of persons disobeying the terms of this Article or of rules, regulations, and
4 orders made by the Board or the Commissioner. Any party disobeying any
5 order or subpoena of the Commissioner shall be guilty of contempt, and shall
6 be certified to the superior court for punishment. Any party may appeal to the
7 superior court from any final order of the Commissioner; To suspend or revoke
8 the licenses of persons disobeying the terms of this Article or of rules adopted
9 by the Board of Agriculture.

10 (3) To issue all such rules and regulations, with the approval of the Board, and to
11 appoint necessary agents and to do all other lawful things necessary to carry
12 out the purposes of this Article.

13 (4) This Article will not apply to peanuts and corn grown under contract for seed
14 purposes. In addition to the remedies provided in this Article and
15 notwithstanding the existence of any adequate remedy at law, the
16 Commissioner is authorized to apply to any court of competent jurisdiction,
17 and that court shall have jurisdiction upon hearing and for cause shown to
18 grant a temporary or permanent injunction, or both, restraining any person
19 from violating or continuing to violate any of the provisions of this Article or
20 any rule or regulation promulgated thereunder. The injunction shall be issued
21 without bond.

22 (b) For the purposes specified in subsection (a) of this section, the Commissioner or the
23 Commissioner's agents may examine the ledgers, books of accounts, memoranda, and other
24 documents which relate to the transaction involved, at the place or places of business of the
25 applicant or licensee, and may take testimony under oath.

26 **"§ 106-501. Violation of Article or rules made misdemeanor.**

27 Any person who violates the provisions of this Article or the rules and regulations
28 promulgated adopted thereunder shall be guilty of a Class 1 misdemeanor.

29 **"§ 106-501.1. Civil penalty.**

30 The Commissioner may assess a civil penalty of not more than five thousand dollars (\$5,000)
31 per violation against any person or business entity who violates a provision of this Article or any
32 rule adopted thereunder. In determining the amount of the penalty, the Commissioner shall
33 consider the degree and extent of harm caused by the violation. The clear proceeds of civil
34 penalties assessed pursuant to this section shall be remitted to the Civil Penalty and Forfeiture
35 Fund in accordance with G.S. 115C-457.2.

36 **"§ 106-501.2. Exceptions.**

37 This Article does not apply to:

- 38 (1) Farmers or groups of farmers in the sale of fruits and vegetables grown by
39 themselves.
40 (2) Restaurants and retail establishments.
41 (3) A handler of fruits and vegetables who pays at the time of purchase with
42 United States cash currency or a cash equivalent, such as a money order,
43 cashier's check, wire transfer, electronic funds transfer, or PIN-based debit
44 transaction, or who pays with a credit card.
45 (4) Handlers who purchase less than one thousand dollars (\$1,000) worth of fruits
46 and vegetables from North Carolina producers or their designees during the
47 peak month of such purchases within the calendar year.
48 (5) A handler to the extent that the handler purchases fruits and vegetables from
49 a producer that is owned by the handler or if the handler is owned by the
50 producer, or if both the handler and producer are owned by the same person.

1 (6) Fruits and vegetables grown under contract for seed purposes.

2 **"§ 106-501.3. Bankruptcy.**

3 Nothing in this Article shall be construed to relieve a surety company or financial institution
4 from responsibility for payment on properly established complaints against handlers involved in
5 a federal bankruptcy proceeding."

6 **SECTION 2.** G.S. 106-24.1 reads as rewritten:

7 **"§ 106-24.1. Confidentiality of information collected and published.**

8 All information published by the Department of Agriculture and Consumer Services pursuant
9 to this Part shall be classified so as to prevent the identification of information received from
10 individual farm operators. All information generated by any federal agency received pursuant to
11 this ~~Part~~ Chapter that is confidential under federal law shall be held confidential by the
12 Department and its ~~employees~~ employees, unless confidentiality is waived by the federal agency.
13 All information collected by the Department from farm owners or animal owners, including, but
14 not limited to, certificates of veterinary inspection, animal medical records, laboratory reports
15 received or generated from samples submitted for analysis, or other records that may be used to
16 identify a person or private business entity subject to regulation by the Department shall not be
17 disclosed without the permission of the owner unless the State Veterinarian determines that
18 disclosure is necessary to prevent the spread of an animal disease or to protect the public health,
19 or the disclosure is necessary in the implementation of these animal health programs."

20 **SECTION 3.** Section 1 of this act becomes effective January 1, 2019. The remainder
21 of this act is effective when it becomes law.

NORTH CAROLINA GENERAL ASSEMBLY



AGRICULTURE AND FORESTRY AWARENESS STUDY COMMISSION

REPORT TO THE 2018 SESSION of the 2017 GENERAL ASSEMBLY OF NORTH CAROLINA

APRIL 17, 2018



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TRANSMITTAL LETTER

April 17, 2018

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TO THE MEMBERS OF THE 2018 REGULAR SESSION
OF THE 2017 GENERAL ASSEMBLY

Pursuant to Article 19 of Chapter 120 of the General Statutes, the **AGRICULTURE AND FORESTRY AWARENESS STUDY COMMISSION**, respectfully submits the following report to the 2018 Regular Session of the 2017 General Assembly.

Sen. Bill Cook (Co-Chair)

Rep. Mark Brody (Co-Chair)

Sen. Brent Jackson (Co-Chair)

Rep. Jimmy Dixon (Co-Chair)

Sen. Norman W. Sanderson (Co-Chair)

Rep. Kyle Hall (Co-Chair)

Sen. Andy Wells (Co-Chair)

Rep. Bob Steinburg (Co-Chair)



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COMMISSION MEMBERSHIP

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2017-2018

Co-Chairs

<u>Rep. Mark Brody</u>	Ex Officio
<u>Rep. Jimmy Dixon</u>	Ex Officio
<u>Rep. Kyle Hall</u>	House Appointment
<u>Rep. Bob Steinburg</u>	Ex Officio
<u>Sen. Bill Cook</u>	Ex Officio
<u>Sen. Brent Jackson</u>	Senate Appointment
<u>Sen. Norman W. Sanderson</u>	Ex Officio
<u>Sen. Andy Wells</u>	Ex Officio

Ex Officio Members

Mr. Jimmy Gentry	Ex Officio
Mr. Boyd McLaurin	Ex Officio
Mr. Mitchell A. Peele	Ex Officio
Mr. Michael S. Regan	Ex Officio
Hon. Steven Troxler	Ex Officio

Public Members

Mr. Albert C. Beatty	Governor's Appointment
Mr. Maurice K. Berry, Jr.	Other Appointment
Mr. David L. Burns	Governor's Appointment
Ms. Donald Butler	Senate Appointment
Ms. Sue M. Gray	House Appointment
Mr. C. Howard Isley	House Appointment
Mr. Danny McConnell	Senate Appointment
Mr. Melvin M. Mitchell	Governor's Appointment
Mr. Sherwood Padgett	Senate Appointment
Ms. Alice H. Scott	House Appointment



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STATUTORY AUTHORITY

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Article 19.

Agriculture and Forestry Awareness Study Commission.

§ 120-150. Creation; appointment of members.

There is created an Agriculture and Forestry Awareness Study Commission. Members of the Commission shall be citizens of North Carolina who are interested in the vitality of the agriculture and forestry sectors of the State's economy. Members shall be as follows:

- (1) Three appointed by the Governor.
- (2) Three appointed by the President Pro Tempore of the Senate.
- (3) Three appointed by the Speaker of the House.
- (4) The chairs of the House Agriculture Committee.
- (5) The chairs of the Senate Committee on Agriculture, Environment, and Natural Resources.
- (6) The Commissioner of Agriculture or the Commissioner's designee.
- (7) A member of the Board of Agriculture designated by the chair of the Board of Agriculture.
- (8) The President of the North Carolina Farm Bureau Federation, Inc., or the President's designee.
- (9) The President of the North Carolina State Grange or the President's designee.
- (10) The Secretary of Environmental Quality or the Secretary's designee.
- (11) The President of the North Carolina Forestry Association, Inc., or the President's designee.

Members shall be appointed for two-year terms beginning October 1 of each odd-numbered year. The Chairs of the House Agriculture Committee and the Chairs of the Senate Committee on Agriculture, Environment, and Natural Resources shall serve as cochairs. The President Pro Tempore of the Senate and the Speaker of the House of Representatives may each appoint an additional member of the Senate and House, respectively, to serve as cochair. If appointed, these cochairs shall be voting members of the Commission.

§ 120-151. Advisory Committee.

Upon proper motion and by a vote of a majority of the members present, the Commission may appoint an Advisory Committee. Members of the Advisory Committee should be from the various organizations, commodity groups, associations, and councils representing agriculture and forestry. The purpose of the Advisory Committee shall be to render technical advice and assistance to the Commission. The Advisory Committee shall consist of no more than 20 members plus a chairman who shall be appointed by the cochairmen of the Commission.

§ 120-152. Subsistence and travel expenses.

The members of the Commission who are members of the General Assembly shall receive subsistence and travel allowances at the rate set forth in G.S. 120-3.1. Members who are officials or employees of the State of North Carolina shall receive subsistence and travel allowances at the rate set forth in G.S. 138-6. All other members plus the Chairman of the Advisory Committee shall be paid the per diem allowances at the rates set forth in G.S. 138-5.



Other members of the Advisory Committee shall serve on a voluntary basis and not receive subsistence and travel expenses.

§ 120-153. Facilities and staff.

The Commission may hold its meetings in the State Legislative Building with the approval of the Legislative Services Commission. The Legislative Services Commission shall provide necessary professional and clerical assistance to the Commission.

§ 120-154. Duties.

The Commission shall bring to the attention of the General Assembly the influence of agriculture and forestry on the economy of the State, develop alternatives for increasing the public awareness of agriculture and forestry, study the present status of agriculture and forestry, identify problems limiting future growth and development of the industry, develop an awareness of the importance of science and technological development to the future of agriculture and forestry industries, and formulate plans for new State initiatives and support for agriculture and forestry and for the expansion of opportunities in these sectors.

In conducting its study the Commission may hold public hearings and meetings across the State.

The Commission shall report to the General Assembly at least one month prior to the first regular session of each General Assembly.



COMMISSION PROCEEDINGS

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The Agriculture and Forestry Awareness Study Commission met three times after the 2017 Regular Session. The following is a brief summary of the Commission's proceedings. Detailed minutes and information from each Commission meeting are available in the Legislative Library.

AGENDA

1:00 p.m. Tuesday, January 30, 2018
Room 544, Legislative Office Building,
Raleigh, NC

1. Call to order
Representative Kyle Hall, Presiding
2. Introductory Remarks by Co-Chairs
3. Presentation on property tax abatement for aging farm machinery
Tony Simpson, Director, Property Tax Section
Department of Revenue
4. Overview of the North Carolina Handler's Act
Dr. Richard Reich, Assistant Commissioner for Agricultural Services
Department of Agriculture and Consumer Services
5. Overview of the federal Perishable Agricultural Commodities Act
Basil Coale, Regional Director, Eastern Regional Office
Agricultural Marketing Service, Specialty Crops Program, PACA Division
United States Department of Agriculture
6. Committee discussion and announcements
7. Adjourn

The first meeting of the Agriculture and Forestry Study Awareness Commission was held on Tuesday, January 30, 2018 at 1:00 p.m. in Room 544 of the Legislative Office Building. Representative Kyle Hall presided.

Ms. Cindy Avrette, Staff Attorney, Legislative Analysis Division, presented an introduction to property tax in North Carolina, which included how the tax is levied, how it was created, and how it can be changed.

Mr. Tony Simpson, Director, Property Tax Section, Department of Revenue (DOR), presented on property tax abatement for aging farm machinery, particularly tractors. The presentation was based on a study conducted by the Property Tax Section, and estimated that complete abatement of property tax on aging machinery would result in \$17 million of lost tax revenue.



County response for the study was low, so the Section had to supplement data on equipment inventory and value with USDA census information. Rather than a complete abatement, Mr. Simpson recommended extending the depreciation schedule on tractors from 8 to 12 years.

The Commission discussed how aging farm equipment is valued and depreciated. The Commission also discussed how counties are not required to follow DOR's depreciation schedule, but may use different methods to determine property tax. The Commission wanted to ensure that any changes to property tax calculations would move towards a simpler, more equitable tax scheme. Mr. Simpson promised to look into expanding the scope of the study, and returning to the Commission with more information and recommendations.

Dr. Richard Reich, Assistant Commissioner for Agricultural Services, Department of Agriculture and Consumer Services, presented on the North Carolina Food Handler's Act. In North Carolina, the Handler's Act applies only to written, not spot, contracts, and affects primarily cucumber and sweet potato sales. As of Dr. Reich's presentation, only 19 companies have received permits under the NC Handler's Act. The fine for failing to obtain a permit is \$25.

The Commission discussed removing the written contract requirement from the Handler's Act to bring the Act in line with other states' acts. The Commission also discussed whether the Handler's Act promotes food safety, the purpose for the Handler's Act, and how the Handler's Act was being promoted to industry. The Commission urged the Department to look into fixing the Handler's Act.

Mr. Basil Coale, Regional Director, United States Department of Agriculture, presented on the Perishable Agricultural Commodities Act (PACA), via phone. The presentation gave a thorough overview of PACA's purpose, authority, and history. Mr. Coale also walked the Commission through PACA's dispute resolution process.

While there were no direct questions for Mr. Coale, the Commission discussed PACA's role in the industry, and expressed a hope that the NC Handler's Act could be reshaped to capture the regulatory gaps in PACA.



AGENDA

1:00 p.m. Thursday, March 22, 2018
Room 544, Legislative Office Building,
Raleigh, NC

1. Call to order
Senator Brent Jackson, Presiding
2. Introductory remarks by Co-Chairs
3. Department of Revenue recommendations on property tax abatement for aging farm machinery (*15 minutes*)
Tony Simpson, Director, Property Tax Section
Department of Revenue
4. Comments on property tax abatement for aging farm machinery (*10 minutes*)
David Baker, Director of Tax and Revenue Outreach
North Carolina Association of County Commissioners
5. Department of Agriculture recommendations for changes to the North Carolina Handler's Act (*15 minutes*)
Laura Kilian, Legislative Liaison
Department of Agriculture and Consumer Services
6. Update on activities of the Industrial Hemp Commission (*30 minutes*)
Laura Kilian, Legislative Liaison
Department of Agriculture and Consumer Services
7. Update on federal Food Safety Modernization Act implementation (*30 minutes*)
Joe Reardon, Assistant Commissioner for Consumer Protection
Department of Agriculture and Consumer Services
8. Committee discussion and announcements
9. Adjourn

The second meeting of the Agriculture and Forestry Study Awareness Commission was held on Thursday, March 22, 2018 at 1:00 p.m. in Room 544 of the Legislative Office Building. Senator Brent Jackson presided.

Mr. Tony Simpson, Director, Property Tax Section, Department of Revenue (DOR), updated the Commission on the Section's property tax abatement study. The Property Tax Section expanded the study to look at all aging farm equipment, and had input from several counties. DOR proposed moving to a single schedule for all aging farm equipment, using a 10-year lifespan with a 25% residual value.

The Commission discussed the scope of the study, comparing the estimated tax loss of total abatement against the proposed DOR schedule, and the variation between counties in valuing aging farm equipment.



Ms. Amber Harris, North Carolina Association of County Commissioners, delivered a short statement to the Commission that the Association was opposed to any reduction to a county's tax base, and is open to work with counties to provide DOR more information for its study. She also said that the Association would review DOR's proposed depreciation schedule.

Ms. Laura Kilian, Legislative Liaison, Department of Agriculture and Consumer Services, presented the Department's proposal for changes to the North Carolina Handler's Act. The proposed changes would comprehensively change the Act, including expanding "handler" to include spot contracts, creating a sliding-scale surety bond, adding yearly renewal requirements, penalties for noncompliance, and additional changes.

The Commission discussed the extended scope of the proposed Handler's Act, and whether there should be additional exemptions for small-scale buyers of agricultural products. Commissioner Steve Troxler, Department of Agriculture and Consumer Services, indicated that the proposed changes strike a balance between encouraging business, protecting North Carolina farmers, and updating North Carolina's version of the Handler's Act to match neighboring state schemes.

Mr. Robert Mays, Legislative Liaison, North Carolina Department of Insurance, delivered a brief statement to the Commission, and noted that the Department does not currently have all of the mechanisms in place to support the proposed changes, but was willing to work with the Department of Agriculture and Consumer Services to ensure that the proposed changes are effective.

Ms. Laura Kilian, Legislative Liaison, Department of Agriculture and Consumer Services, then presented on the Department's Industrial Hemp Pilot Program. Overall, the program has seen some success, but the industry is slow to grow due to uncertainty over federal drug laws and concern for the future of the industry. Ms. Kilian shared with the Commission lessons learned when testing hemp for compliance, as well as policies adopted when destroying noncomplying product.

The Commission discussed ensuring that noncompliant hemp was properly destroyed, whether and to what extent noncompliant hemp could occur naturally, what actions, if any, are taken against growers of noncompliant hemp, and how the hemp is destroyed. The Commission also discussed whether it was possible to test the seed for compliance before growing the crop, where the majority of North Carolina's hemp seed is imported from, and which sectors of the hemp industry are seeing the most growth.

Mr. Joe Reardon, Assistant Commissioner, Department of Agriculture and Consumer Services, updated the Commission on implementation of the Food Safety Modernization Act (FSMA). Mr. Reardon reported that FSMA's importance is growing, as demand for foreign food products grows and our population becomes more vulnerable to foodborne illness. The Department is working with North Carolina State University and others to implement FSMA in a uniform, consistent, and productive manner.

The Commission discussed on how the State's demand for foreign seafood has changed and will change in the future, the benefits of FSMA certification to farmers, the FSMA inspection training and process, and required testing. The Commission also asked the Department of



Agriculture and Consumer Services to provide the Secretary's Science Advisory Board with input as the Board works to develop health goals for the emerging contaminant GenX.



AGENDA

1:00 p.m. Tuesday, April 17, 2018
Legislative Office Building, Room 544
Raleigh, NC

1. Call to order
Representative Brody. Presiding
2. Introductory remarks by Co-Chairs
3. Approval of minutes from the January 30, 2018, and March 22, 2018, meetings of the Commission
4. Industry perspective of the State's industrial hemp program *(30 minutes)*
Bob Crumley, Chairman
North Carolina Industrial Hemp Association
5. Overview of Department of Agriculture and Consumer Services Standards Division and price-scanning inspection program *(30 minutes)*
Steve Benjamin, Standards Division Director
Department of Agriculture and Consumer Services
6. Department of Agriculture recommendation regarding confidentiality of certain reports *(10 minutes)*
Laura Kilian, Legislative Liaison
Department of Agriculture and Consumer Services
7. Approval of Committee Report
8. Committee discussion and announcements
9. Adjourn

The third meeting of the Agriculture and Forestry Study Awareness Commission was held on Tuesday, April 17, 2018 at 1:00 p.m. in Room 544 of the Legislative Office Building. Representative Mark Brody presided.

Before presentations began, the Commission approved the January and March minutes.

Mr. Bob Crumley, Chairman, North Carolina Industrial Hemp Association, presented on the state of the industrial hemp industry in North Carolina. Mr. Crumley was joined throughout the presentation by Mr. Blake Butler, Founder, HempX, Mr. Gary Sykes, President, Bio-Regen, and Ms. Marty Clemons, President, North Carolina Industrial Hemp Association.

The Commission discussed the State's suitability for growing hemp, pending federal hemp legislation, how farmers can legally participate in the industrial hemp industry, cost and funding for food-grade seed cleaning facilities, and how to alleviate the stigma associated with industrial hemp.



Mr. Steve Benjamin, Standards Division Director, Department of Agriculture and Consumer Services, presented on the Department's price-scanning inspection program.

The Commission discussed gasoline pricing, how the Department ensures accuracy of large scales, and concerns about accuracy in timber weights.

Ms. Laura Kilian, Legislative Liaison, Department of Agriculture and Consumer Services, presented on the Department's legislative recommendation concerning confidentiality of certain reports.

Mr. Chris Saunders, Commission Counsel, presented an overview of the Commission Report, as well as a summary of Bill Draft 2017-TQ-34 [v.6] included below, on page 19.

The Commission discussed the timetable for inspections under the Handler's Act, the scope of the Handler's Act, potential exemptions, and potential revisions to the legislative proposals.

The Commission adopted this Report.



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LEGISLATIVE PROPOSALS

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GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2017

S

D

BILL DRAFT 2017-TQ-34 [v.6]

(THIS IS A DRAFT AND IS NOT READY FOR INTRODUCTION)
04/10/2018 12:40:23 PM

Short Title: NC Farm Act of 2018.

(Public)

Sponsors:

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO MAKE VARIOUS CHANGES TO THE AGRICULTURAL LAWS.
3 The General Assembly of North Carolina enacts:

4 SECTION 1. Article 44 of Chapter 106 of the General Statutes reads as rewritten:
5 "Article 44.

6 "Unfair Practices by Handlers of Fruits and Vegetables.

7 **"§ 106-496. Protection against unfair trade practices.**

8 The Board of Agriculture is hereby authorized to ~~make adopt~~ such rules and regulations as it
9 deems necessary to protect producers of fruits and vegetables from loss caused by financial
10 irresponsibility and unfair, harmful or unethical trade practices of handlers who incur financial
11 liability for the purchase or production of fruits and vegetables. ~~A "handler," as used herein, is a~~
12 ~~person, firm, corporation or other legal entity or his agent or employee who enters into a written~~
13 ~~contract for the purchase from or production by a producer of fruits and vegetables.~~

14 **"§ 106-496.1. Definitions.**

15 For the purposes of this Article, the following definitions apply:

16 (1) "Certificate of deposit" means a certificate of deposit at any recognized financial
17 institution doing business in the United States.

18 (2) "Commissioner" means the North Carolina Commissioner of Agriculture.

19 (3) "Consignment" means any transfer of fruits and vegetables by the seller to the custody
20 of another person who acts as the agent for the seller for the purpose of selling such fruits and
21 vegetables.

22 (4) "Department" means the North Carolina Department of Agriculture and Consumer
23 Services.

24 (5) "Handler" means any person in the business of buying, receiving, selling, exchanging,
25 negotiating, processing for resale, or soliciting the sale, resale, exchange, or transfer of any fruits
26 and vegetables purchased from a producer, received on consignment from a producer, or received
27 to be handled on a net return basis from a producer.



1 (6) "Net return basis" means a purchase for sale of fruits and vegetables from a producer
2 or shipper at an unfixed or unstated price at the time the fruits and vegetables are shipped from
3 the point of origin, and which shall include all purchases made "at the market price," "at net
4 worth," and on similar terms, which indicate that the buyer is the final arbiter of the price to be
5 paid.

6 (7) "Person" means a natural person, firm, corporation, or other legal entity.

7 (8) "Processor" means any person operating any plant in this State that freezes,
8 dehydrates, cans, or otherwise changes the physical form or characteristics of fruits and
9 vegetables.

10 (9) "Producer" means any person who produces fruits or vegetables, or both, in North
11 Carolina.

12 (10) "Restaurant" means a facility that prepares and sells food directly to consumers for
13 immediate consumption. The term "restaurant" does not include facilities that provide food to
14 interstate conveyances, central kitchens, and other similar facilities that do not prepare and serve
15 food directly to consumers.

16 (11) "Retail establishment" means an establishment that sells fruits and vegetables directly
17 to consumers as its primary function. A retail establishment's primary function is to sell fruits
18 and vegetables directly to consumers if the annual monetary value of sales of fruits and
19 vegetables directly to consumers exceeds the annual monetary value of sales of fruits and
20 vegetables to all other buyers. The term "consumers" does not include businesses.

21 **"§ 106-497. Permits Annual license required.**

22 ~~A handler of fruits and vegetables shall not enter into a written contract with a producer until~~
23 ~~he obtains a written permit from the Commissioner of Agriculture. The Board of Agriculture may~~
24 ~~prescribe by regulation the form of the application for a permit, the information to be furnished~~
25 ~~to the Commissioner by the applicant for a permit and the date for filing the application. A permit~~
26 ~~shall not be issued until the applicant files on or before the date set by the Board a written request~~
27 ~~with the Commissioner and files with the request two copies of the applicant's proposed contract.~~
28 ~~A penalty of twenty five dollars (\$25.00) shall be paid by the applicant if the application is filed~~
29 ~~after the date established by the Board and no permit shall be issued until such penalty is paid.~~
30 ~~Any penalties collected by the Commissioner shall be used to help defray the costs of~~
31 ~~administering Article 44 of Chapter 106.~~

32 ~~This Article shall not apply to transactions by a handler with a producer on a cash basis.~~
33 ~~"Cash" as used herein shall include bank bills, checks drawn on banks and bank notes.~~

34 It shall be unlawful for any handler of fruits and vegetables who acts within the scope of this
35 Article to engage in business as a handler without an annual license issued by the Commissioner.

36 **"§ 106-497.1. Application for annual license.**

37 (a) Every handler of fruits and vegetables desiring to transact business in this State shall
38 file an application for an annual license with the Commissioner.

39 (b) The Board of Agriculture may prescribe by rule the form of the application, the
40 information to be furnished to the Commissioner by the applicant for an annual license, and the
41 date for filing the application.

42 (c) An applicant for an annual license shall pay an initial or renewal license fee, as set by
43 rule by the Board of Agriculture but not to exceed five hundred dollars (\$500), with each
44 application. The applicant shall pay an administrative late fee, as set by rule by the Board of
45 Agriculture but not to exceed two hundred fifty dollars (\$250), if the application is filed after the
46 date established by the Board of Agriculture and the Commissioner shall not issue the license
47 until the penalty is paid. Any fees collected by the Commissioner shall be used to help defray the
48 costs of administering this Article.

49 **"§ 106-497.2. Denial, suspension, or revocation of license.**



1 The Commissioner may decline to grant a license or may suspend or revoke a license already
2 granted if the Commissioner is satisfied that the applicant or licensee has:

- 3 (1) Suffered a money judgment which that person cannot satisfy or is otherwise
4 insolvent or financially irresponsible.
- 5 (2) Made false charges for handling or services rendered.
- 6 (3) Failed to promptly and properly account and pay any producer.
- 7 (4) Made any false statement or statements as to the condition, quality, or quantity
8 of goods received or held for sale when that person could have ascertained the
9 true condition, quality, or quantity by reasonable inspection.
- 10 (5) Made any false or misleading statement or statements as to market conditions
11 or service rendered.
- 12 (6) As a handler, hired a person who has been convicted of a crime involving
13 fraud, deceit, or misrepresentation in any capacity involving the buying,
14 selling, or the handling of payments for fruits and vegetables.
- 15 (7) As a handler, failed either to file the required surety bond or certificate of
16 deposit or to keep such surety bond or certificate of deposit in force.
- 17 (8) Provided false or misleading information in the person's application for
18 license.
- 19 (9) Failed to comply with the terms of this Article or any rules adopted by the
20 Board of Agriculture.

21 **"§ 106-498. Bond-Surety bond or certificate of deposit required.**

22 No permit shall be issued to a handler until such handler has furnished the Commissioner of
23 Agriculture a bond satisfactory to the Commissioner in an amount of not less than ten thousand
24 dollars (\$10,000). The Commissioner may require a new bond or he may require the amount of
25 any bond to be increased if he finds it necessary for the protection of the producer. Such bond
26 shall be payable to the State and shall be conditioned upon the fulfilling of all financial
27 obligations incurred by the handler with all producers with whom the handler contracts. Any
28 producer alleging any injury by the fraud, deceit, willful injury or failure to comply with the
29 terms of any written contract by a handler may bring suit on the bond against the principal and
30 his surety in any court of competent jurisdiction and may recover the damages found to be caused
31 by such acts complained of.

32 (a) Before any license is issued, the applicant shall make and deliver to the Commissioner
33 a surety bond executed by a surety corporation authorized to transact business in this State and
34 approved by the Commissioner or a certificate of deposit approved by the Commissioner. No
35 certificate of deposit may be accepted unless the issuing institution is properly insured by either
36 the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance
37 Corporation.

38 (b) The surety bond or certificate of deposit to secure the faithful performance of that
39 person's obligations as a handler shall be based on the maximum amount of gross business the
40 applicant did in any month in this State during the preceding licensing year, or an estimate for
41 the upcoming licensing year if the applicant did not engage in business as a handler in this State
42 during the preceding year, and in accordance with the following schedule:

<u>Maximum Monthly Gross Business</u>	<u>Bond or Deposit Required</u>
<u>Up to \$25,000.....</u>	<u>\$25,000</u>
<u>\$25,001 to \$50,000.....</u>	<u>\$50,000</u>
<u>\$50,001 to \$75,000.....</u>	<u>\$75,000</u>
<u>\$75,001 to \$100,000.....</u>	<u>\$100,000</u>
<u>\$100,001 to \$125,000.....</u>	<u>\$125,000</u>
<u>\$125,001 to \$150,000.....</u>	<u>\$150,000</u>
<u>\$150,001 to \$175,000.....</u>	<u>\$175,000</u>



\$175,001 to \$200,000.....	\$200,000
\$200,001 to \$225,000.....	\$225,000
\$225,001 or More.....	\$250,000

(c) Surety bonds and certificates of deposit shall have such surety or sureties, or financial institution or financial institutions, subject to service of process in suits on the surety bond or certificate of deposit within this State and shall contain such terms and conditions as the Commissioner may prescribe to carry out the purposes of this Article.

(d) Whenever the Commissioner determines that a previously approved surety bond or certificate of deposit has for any reason become insufficient, the Commissioner may require in writing an additional surety bond or certificate of deposit to be given, conforming to the requirements of this Article. Unless the additional surety bond or certificate of deposit is given within the time stated in the Commissioner's demand, or if the surety bond or certificate of deposit of a handler is canceled, the person's license shall be immediately revoked without notice or hearing.

"§ 106-498.1. Action on surety bond or certificate of deposit by producer injured.

Any producer claiming to be injured by nonpayment, noncompliance with the terms of a contract, fraud, deceit, negligence, or other misconduct of a handler may sue the handler and his or her sureties upon the surety bond or certificate of deposit in that producer's name in any court of competent jurisdiction to recover the damages that person may have sustained by such breach without any assignment thereof by the Department or the State.

"§ 106-498.2. Inspection of spoiled, damaged, unmarketable, or unsatisfactory produce before sale.

Whenever fruits and vegetables are shipped to or received by a handler for handling, purchase, or sale in this State, and the handler finds such produce to be in a spoiled, damaged, unmarketable, or unsatisfactory condition, the Department may provide inspection services and execute and deliver a certificate stating the day and the time and place of such inspection and the condition of such produce, and mail or deliver a copy of such certificate to both the handler and producer. The Department may charge and collect fees in accordance with the United States Department of Agriculture laws and rules and the Department's cooperative grading service agreement with the United States Department of Agriculture.

"§ 106-499. Contracts between handlers and producers; approval of Commissioner.

All contracts filed with the Commissioner by an applicant shall be approved by the Commissioner before a permit is issued. The Commissioner may withhold his approval in his discretion if he is of the opinion that the contract is illegal or unfair to the producer, or that the contractor is insolvent or financially irresponsible, or if for any other cause it reasonably appears to him that the contract in question might defeat the purpose of this Article.

"§ 106-500. Additional powers of Commissioner to enforce Article.

(a) In order to enforce this Article, the Commissioner of Agriculture, upon his the Commissioner's own motion or upon the verified complaint of any producer, shall have the following additional powers:

- (1) To inspect or investigate transactions for the sale or delivery of fruits and vegetables to persons acting as handlers; to require verified reports and accounts of all authorized handlers; to examine books, accounts, memoranda, equipment, warehouses, storage, transportation and other facilities, fruits and vegetables and other articles connected with the business of the handlers; to inquire into failure or refusal of any handlers to accept produce under his contracts and to pay for it as agreed; agreed.
- (2) To hold hearings after due notice to interested parties and opportunity to all to be heard; to administer oaths, take testimony and issue subpoenas; to require witnesses to bring with them relevant books, papers, and other evidence; to



1 ~~compel testimony; to make written findings of fact and on the basis of these~~
2 ~~findings to issue orders in controversies before him, and to revoke the permits~~
3 ~~of persons disobeying the terms of this Article or of rules, regulations, and~~
4 ~~orders made by the Board or the Commissioner. Any party disobeying any~~
5 ~~order or subpoena of the Commissioner shall be guilty of contempt, and shall~~
6 ~~be certified to the superior court for punishment. Any party may appeal to the~~
7 ~~superior court from any final order of the Commissioner; To suspend or revoke~~
8 ~~the licenses of persons disobeying the terms of this Article or of rules adopted~~
9 ~~by the Board of Agriculture.~~

10 (3) To issue all such rules and regulations, with the approval of the Board, and to
11 appoint necessary agents and to do all other lawful things necessary to carry
12 out the purposes of this Article.

13 (4) ~~This Article will not apply to peanuts and corn grown under contract for seed~~
14 ~~purposes. In addition to the remedies provided in this Article and~~
15 ~~notwithstanding the existence of any adequate remedy at law, the~~
16 ~~Commissioner is authorized to apply to any court of competent jurisdiction,~~
17 ~~and that court shall have jurisdiction upon hearing and for cause shown to~~
18 ~~grant a temporary or permanent injunction, or both, restraining any person~~
19 ~~from violating or continuing to violate any of the provisions of this Article or~~
20 ~~any rule or regulation promulgated thereunder. The injunction shall be issued~~
21 ~~without bond.~~

22 (b) For the purposes specified in subsection (a) of this section, the Commissioner or the
23 Commissioner's agents may examine the ledgers, books of accounts, memoranda, and other
24 documents which relate to the transaction involved, at the place or places of business of the
25 applicant or licensee, and may take testimony under oath.

26 "**§ 106-501. Violation of Article or rules made misdemeanor.**

27 Any person who violates the provisions of this Article or the rules ~~and regulations~~
28 ~~promulgated-adopted~~ thereunder shall be guilty of a Class 1 misdemeanor.

29 "**§ 106-501.1. Civil penalty.**

30 The Commissioner may assess a civil penalty of not more than five thousand dollars (\$5,000)
31 per violation against any person or business entity who violates a provision of this Article or any
32 rule adopted thereunder. In determining the amount of the penalty, the Commissioner shall
33 consider the degree and extent of harm caused by the violation. The clear proceeds of civil
34 penalties assessed pursuant to this section shall be remitted to the Civil Penalty and Forfeiture
35 Fund in accordance with G.S. 115C-457.2.

36 "**§ 106-501.2. Exceptions.**

37 This Article does not apply to:

38 (1) Farmers or groups of farmers in the sale of fruits and vegetables grown by
39 themselves.

40 (2) Restaurants and retail establishments.

41 (3) A handler of fruits and vegetables who pays at the time of purchase with
42 United States cash currency or a cash equivalent, such as a money order,
43 cashier's check, wire transfer, electronic funds transfer, or PIN-based debit
44 transaction, or who pays with a credit card.

45 (4) Handlers who purchase less than one thousand dollars (\$1,000) worth of fruits
46 and vegetables from North Carolina producers or their designees during the
47 peak month of such purchases within the calendar year.

48 (5) A handler to the extent that the handler purchases fruits and vegetables from
49 a producer that is owned by the handler or if the handler is owned by the
50 producer, or if both the handler and producer are owned by the same person.



1 (6) Fruits and vegetables grown under contract for seed purposes.

2 **"§ 106-501.3. Bankruptcy.**

3 Nothing in this Article shall be construed to relieve a surety company or financial institution
4 from responsibility for payment on properly established complaints against handlers involved in
5 a federal bankruptcy proceeding."

6 **SECTION 2.** G.S. 106-24.1 reads as rewritten:

7 **"§ 106-24.1. Confidentiality of information collected and published.**

8 All information published by the Department of Agriculture and Consumer Services pursuant
9 to this Part shall be classified so as to prevent the identification of information received from
10 individual farm operators. All information generated by any federal agency received pursuant to
11 this ~~Part~~ Chapter that is confidential under federal law shall be held confidential by the
12 Department and its ~~employees~~ employees, unless confidentiality is waived by the federal agency.
13 All information collected by the Department from farm owners or animal owners, including, but
14 not limited to, certificates of veterinary inspection, animal medical records, laboratory reports
15 received or generated from samples submitted for analysis, or other records that may be used to
16 identify a person or private business entity subject to regulation by the Department shall not be
17 disclosed without the permission of the owner unless the State Veterinarian determines that
18 disclosure is necessary to prevent the spread of an animal disease or to protect the public health,
19 or the disclosure is necessary in the implementation of these animal health programs."

20 **SECTION 3.** Section 1 of this act becomes effective January 1, 2019. The remainder
21 of this act is effective when it becomes law.





**Agriculture and Forestry Awareness Study Commission
Wednesday, December 12, 2018 at 10:00 AM
Room 544 of the Legislative Office Building**

MINUTES

The Agriculture and Forestry Awareness Study Commission met at 10:00 AM December 10, 2018 in Room 544 of the Legislative Office Building. Ten members were present.

Senator Brent Jackson, Co-Chair, presided. **Call to order**

Senator Jackson called the meeting to order at 10:03 AM. He recognized the Sergeant-at-Arms and Commission staff.

Introductory remarks by Co-Chairs

Senator Jackson gave opening remarks and recognized Mr. Chris Saunders, Commission Counsel, of the North Carolina General Assembly (NCGA). Mr. Saunders gave an overview of the Commission charge in the NC Farm Act of 2018, directing the Commission to study fire tax and utility easement issues.

Senator Jackson reminded the Commission members to fill out reimbursement forms. He noted there will be public comment after the presentations.

Funding fire protection and EMS services

Senator Jackson recognized Cindy Avrette of the Legislative Analysis Division and Rodney Bizzell of the Fiscal Research Division (FRD), of the NCGA, to go over fire protection and Emergency Medical Services (EMS).

Ms. Avrette discussed fire protection services and funding. She explained how North Carolina funds fire protection and EMS services. She noted there was no statutory obligation for counties to provide fire protection services. However, all counties do provide some level of fire protection. Fire protection is funded by general and special district taxes. Farmland can be enrolled in a Present Use Value (PUV) program, which taxes the land at a lower rate.

Mr. Bizzell discussed the fiscal impact of excluding farmland from fire district taxes. He doesn't have an exact number for the fire-district level, but FRD does have statewide and county-level estimates. There would be a statewide impact of \$17 to 25 million, roughly, with some caveats.

Representative Dixon asked a question about PUV taxation and the "clawback" provision.

Ms. Avrette explained that under the PUV program, the difference in the taxes between assessed and PUV taxes are kept on the books, and the last three years of "deferred taxes" become payable upon the sale of the property for any non-PUV use.



Senator Jackson asked whether, if PUV property is moved from one agriculture operation to another, the owner can obtain a waiver to remain in the program.

Ms. Avrette responded, yes.

Senator Wells asked what is the range of PUVs in the State and what is the difference in the PUV in the highest county versus the lowest?

Mr. Tony Simpson, Director, Property Tax Section, Department of Revenue (DOR), responded that the values range from agriculture (\$40/acre) to high value agriculture (\$1,200/acre). Most people are probably paying \$300 to 400/acre for woodland and \$800/acre for farmland. Counties can determine their own valuation.

Senator Wells commented that the rate varied greatly across the State. He asked if DOR considered normalizing PUV tax schedules across the State?

Senator Sanderson asked how many fire department calls are going to PUV property? Senator Sanderson said it takes a lot of special equipment to handle woodland/rural fires that urban centers don't need to have. It's been mentioned that the cost of rural fire/EMS services are on the increase. He also asked if there was a usage fee for EMS and fire protection services.

Mr. Brian Taylor, Chief State Fire Marshall and Senior Deputy Commissioner, Department of Insurance, responded that it's not clear in a reporting system to see which fire calls are going to woodland/farmland. All fire service is EMS-related. A lot of rural fire departments are not first-responder certified, so there's not a fee.

Senator Jackson asked if there was a way to get more accurate data on which fire calls are going to farmland or woodland properties.

Chief Taylor responded that there is a fire reporting system and they report to the United States Fire Administration Division (under the Federal Emergency Management Agency, which is managed by the U.S. Department of Homeland Security). However, it is not precise enough for this sort of information.

Representative Dixon said as far as EMS is concerned, they all have fees that they charge. He would like to see the write-offs that occur. The fees that are charged for the EMS calls, a lot of them get written off. He said it is a huge figure.

Presentation on electric utility transmission planning and easement acquisition

Senator Jackson recognized Ms. Dianna Downey and Mr. James McLawhorn of the Public Staff of the North Carolina Utilities Commission (NCUC), to present on electric utility transmission planning and easement acquisition.

Ms. Downey, Staff Attorney and Mr. McLawhorn, Director of Electric Division, gave an overview of transmission planning. They discussed the difference between transmission



("interstate highway") and distribution ("city streets") lines. They explained that it was distinguished by voltage level of the lines.

They said that NCUC does not have authority over establishment of legal disputes concerning easements. There is no statutory requirement that a utility use an easement within a certain time period. Utilities are reluctant to give up easements, because they're expensive and difficult to obtain.

Sen Cook asked why do higher-voltage lines require wider easements?

Mr. McLawhorn responded that it's primarily a safety requirement. The higher the voltage, the higher change of danger to the public.

Senator Cook asked if renewables are reliable?

Mr. McLawhorn said they are talking about different kinds of reliability. He said he was referring to reliability in the lines in terms of the lines physically failing rather than the intermittent nature of renewable resources.

Senator Cook said if the power line is very reliable, but the source is not, then that's not reliable.

Senator Cook asked what was needed for something to be considered a work in progress (WIP). He asked if easements are not in the WIP but are held for future use, do they eventually go through WIP?

Mr. McLawhorn said that's an accounting question, but it's their understanding that easements do not go into the WIP until construction begins.

Representative Dixon wants to know the current number of property owners who have initiated a request to purchase back an easement from the utility?

Mr. Buz Moore, Sr. Acquisition Agent at Duke Energy Progress (DEP), said DEP probably gets one or two requests per month to buy back an easement that's not being used. When that happens, DEP vets it with their engineering/planning department to see if it makes sense. Sometimes DEP can sell the easement back, but not always.

Representative Dixon asked if DEP can produce a historical perspective that would give the NCGA the history of these requests. Does DEP have historical data on how these requests were handled? How many granted, how many denied, and how often requests are repeated?

Mr. Moore said he doesn't have that information. Typically this has to do with development, not farmland. DEP encourages farming on their easements, because that's less maintenance for DEP.

Senator Jackson asked if DEP can provide the Commission with the number of easements released in the last 10 years.

Mr. Moore responded, yes.

Senator Sanderson asked how many miles of unused easements are in North Carolina.



Mr. Moore said DEP has hundreds of miles of unused easements in North Carolina. Right of way (ROW) acquisition is a lengthy process and can take up to 10 years. Solar is changing how DEP plans transmission lines because the load on the lines is increasing at certain times.

Senator Sanderson asked what restrictions are placed on these easements.

Mr. Moore said there are building restrictions (e.g. no swimming pools, no graveyards, etc.).

Senator Jackson asked how many easements does DEP have that are unused and how long have they had them?

Mr. Moore said DEP has had some for 10 to 40 years.

Senator Jackson opened the floor for public comment.

Public Comment

Mr. Tim Bradley, Executive Director of the North Carolina Firefighters Association said their organization represents a bunch of rural firefighters. They are worried about a reduction of funding for these struggling rural fire departments. They have a lot of equipment for specialized woodland/farmland firefighting and have had two big fires dealing with both farmland and woodland.

Representative Dixon said the NCGA is not looking to reduce funding. The NCGA is examining how funding works and considering possibly restructuring funding.

Mr. Moore said easements are very important for DEP's infrastructure. They're not cheap to obtain, so DEP wants to keep the ones they have.

Representative Dixon asked if anything has been learned from the Department of Transportation (DOT) and Forsyth County's condemnation issue. He understands how important these things are, but there may be a point when large entities are unable to maintain these unused easements.

Mr. Jason Hargett, Parker Poe Attorneys and Counselors at Law (on behalf of DEP), said DOT was able to come in and record corridors across property. That placed significant burden on the underlying property and DOT didn't pay any money to property owners. He said that is not what happens with utility easements. Utilities negotiate with landowners to buy easements and it is recorded on a deed. Condemnation statutes require payment for takings. This is very different from DOT and the Map Act.

Representative Dixon asked if there is currently a fair opportunity for a landowner to repurchase their ROW.

Mr. Hargett said yes. A private citizen can approach the utility and ask to buy back. North Carolina doesn't give special treatment to utility property rights.

Senator Jackson asked when these easements are acquired, are they put on to the company's balance sheets?



Mr. Moore responded, yes. That's an asset that DEP has and it's on the balance sheets. It's not added to the rate base until construction starts.

Senator Jackson asked how is the property tax on that easement paid? Does the utility pay or does the underlying property owner pay?

Mr. Moore said the underlying property owner pays the taxes on the underlying property.

Senator Jackson gave a hypothetical scenario: assuming DEP bought an easement and held it for 40 years and within that time period land values have increased since the easement was purchased, is there any process for compensating the underlying landowner for the increased property tax?

Mr. Moore said there is no mechanism for that. For tax purposes, it's up to the landowner to talk to the local tax office.

Senator Jackson asked when DEP is acquiring easements, is it ever anticipated that DEP would hold easements for in perpetuity that are unused?

Mr. Moore said he couldn't answer that, but easements do not expire.


Representative Dixon asked about fire funding. Could DEP assess the meters (where there's an electrical meter)? He plans to ask staff to find the total number of electrical meters in North Carolina, so the NCGA can assess different funding mechanism for fire districts.

Mr. Stuart Surles of Harnett County said has a 37-year old easement on his property that hasn't been used. DEP won't sell the easement back to him. He filed a lawsuit against DEP, but lost. He is requesting a new law that will protect landowners and force DEP to sell easements.


Mr. Hargett, said there is a law on the books that protects landowners. Recordation of easements is required and Mr. Surles bought the land knowing there was an easement on the property. He believes forcing the utilities to sell easements is a constitutional issue.

Adjourn

Once public comment was over, the meeting adjourned at 11:26 AM.



Senator Brent Jackson, Co-Chair
Presiding



Cameron Dawson, Commission Clerk



From: [NCGA Committee Notices](#)
Subject: <NCGA> Agriculture and Forestry Awareness Study Commission Meeting Notice for Wednesday, December 12, 2018 at 10:00 AM
Date: Thursday, December 06, 2018 04:00:05 PM
Attachments: [Add Meeting to Calendar_LINC_ics](#)

NORTH CAROLINA GENERAL ASSEMBLY

Raleigh, North Carolina 27601

December 6, 2018

MEMORANDUM

TO: Members, Agriculture and Forestry Awareness Study Commission
FROM: Sen. Brent Jackson, Co-Chair
Rep. Jimmy Dixon, Co-Chair
Sen. Bill Cook, Co-Chair
Rep. Bob Steinburg, Co-Chair
Rep. Mark Brody, Co-Chair
Sen. Norman W. Sanderson, Co-Chair
Sen. Andy Wells, Co-Chair
Rep. Kyle Hall, Co-Chair

SUBJECT: Meeting Notice

The **Agriculture and Forestry Awareness Study Commission** will meet at the following time:

DAY	DATE	TIME	LOCATION
Wednesday	December 12, 2018	10:00 AM	544 LOB

Parking for non-legislative meeting attendees is available in the visitor parking deck #75 located on Salisbury Street across from the Legislative Office Building. Parking is also available in the parking lot across Jones Street from the State Library/Archives. You can view a map of downtown by visiting <http://www.ncleg.net/graphics/downtownmap.pdf>.

If you are unable to attend or have any questions concerning this meeting, please contact Ross Barnhardt at Ross.Barnhardt@ncleg.net.

cc: Committee Record ☒
Interested Parties ☒

--

This message was sent to you by Ross Barnhardt (Sen. Brent Jackson) (ross.barnhardt@ncleg.net) because you signed up to receive NC General Assembly Committee Notices by email. To unsubscribe, visit <http://www.ncleg.net/gascripts/Committees/Committees.asp?sAction=ViewDLForm&sActionDetails=Non-Standing>



COMMISSION CO-CHAIRS
SEN. BILL COOK
SEN. BRENT JACKSON
SEN. NORMAN W. SANDERSON
SEN. ANDY WELLS

REP. MARK BRODY
REP. JIMMY DIXON
REP. KYLE HALL
REP. BOB STEINBURG

COMMISSION STAFF
CHRIS SAUNDERS
JENNIFER MCGINNIS
KYLE EVANS
MARIAH MATHESON

545 LEGISLATIVE OFFICE BUILDING
300 NORTH SALISBURY STREET
RALEIGH, NC 27603
(919) 733-2578

General Assembly of North Carolina

Agriculture and Forestry Awareness

Study Commission

State Legislative Building

Raleigh, North Carolina



EX OFFICIO MEMBERS
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MR. BOYD McLAURIN
MR. MITCHELL A. PEELE
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MR. DANNY McCONNELL
MR. MELVIN M. MITCHELL
MR. SHERWOOD PADGETTE
MS. ALICE SCOTT

COMMISSION CLERKS
ROSS BARNHARDT
CAMERON DAWSON

AGENDA

10:00 a.m. Wednesday, December 12, 2018

Legislative Office Building, Room 544

Raleigh, NC

1. Call to order
Sen. Jackson, Presiding
2. Introductory remarks by Co-Chairs
3. Funding fire protection and EMS services
Cindy Avrette, Staff Attorney, Legislative Analysis Division
Rodney Bizzell, Fiscal Analyst, Fiscal Research Division
4. Presentation on electric utility transmission planning and easement acquisition
James McLawhorn, Director, Electric Division
Dianna Downey, Staff Attorney
North Carolina Utilities Commission Public Staff
5. Committee discussion and announcements
6. Adjourn

ADDITIONAL INFORMATION:

Persons having questions about the Commission meeting or other matters related to the Commission may contact Chris Saunders, Commission Counsel, or other Commission staff at (919) 733-2578 or may visit the Commissions' website at:

http://www.ncleg.net/gascripts/Committees/committees.asp?sAction=ViewCommittee&sActionDetails=Non-Standing_78



Funding Fire Protection/EMS Services

Agriculture & Forestry Awareness Study Commission

December 12, 2018

S.L. 2018-113,
Section 8(a)(2)

*The advisability of excluding
property enrolled in present
use value taxation from rural
fire protection district and
county service district taxes.*



Service

Funding

Exemption for PUV
Property

Providing Fire Protection Services

Counties do not have to provide fire protection services.

Fire Protection Services Vary

- No statutory obligation or responsibility to provide fire protection
- Types and levels of service vary significantly across counties
- No duty of equal service to all properties or citizens within a unit
 - A county may choose to provide fire service in some areas of the county, and not in others.
 - A county may choose to provide a higher level of fire service in some areas than in others.
- Cannot deny service to exempt properties simply b/c they do not pay taxes

Funding Fire Protection Services

All counties provide some level of fire protection services.

Funding Sources

- Revenue raising mechanism must derive specifically from the General Assembly
- Authorized revenue raising mechanisms to fund fire services
 - General property tax
 - Special tax districts
 - Chapter 69: rural fire protection districts
 - **Chapter 153A: county fire service districts (often includes EMS services)**
 - Local authority to impose fees for fire/EMS services (2 counties)

Property Taxes

General Property Tax

- Present use value program for qualifying farmland
 - Special class of property
 - Assessed value lower than its FMV
- Provides funding for a myriad of county services
- County-wide property tax rate

Special District Property Tax

- Follows the general property tax
- Provides additional funding in defined area
- Separate property tax rate
 - Article 69 – Maximum tax rate of \$0.15 per \$100 valuation
 - Article 153A – Subject to the general aggregate property tax limit of \$1.50 per \$100 valuation

Fire Fees

Two Counties

- Union County, S.L. 1991-883
- Brunswick County, S.L. 1999-323
- Imposed on owners of all real property that benefits from the availability of fire protection/EMS services
- May include property exempt from property tax
- May not include personal property

Fee Schedule

- Single-family dwelling
- Unimproved land
- Animal production or horticultural operation
- Commercial facility
- Multi-family dwelling
- Any other class of property

Taxes v. Fees

Taxes

- Compulsory charge levied on people or property
- Need not bear any relation to the benefit received
- Property tax must be uniformly applied

Fees

- Assessed on individuals or property
- Bears a direct relation to the benefit received
- Amounts may vary

Policy Question

The advisability of excluding property enrolled in present use value taxation from rural fire protection district and county service district taxes.

How Much should Farmland Contribute to the Funding of Fire Protection/EMS Services?

- Farmland contributes to funding at a lower level than other properties, via the PUV program
- Should farmland be excluded from funding fire protection/EMS services via the special district taxes?
- Are there alternatives, other than special district taxes, to fund fire protection/EMS services?



What would be the Impact of Exempting Farmland from Special District Taxes?

- Statewide impact of \$17 - \$25 million
 - Based on property in PUV and tax rate range of 10¢ and 15¢
 - Also assumes all PUV property is located within a tax district.
- Would vary greatly between counties based on:
 - PUV acreage
 - Types of PUV (Forestland, Agriculture, Horticulture) *Higher for Ag than Forest land*
 - Value (varies based on use and soil type)
 - Fire district area and tax rates

County Impacts

Taxable PUV as percent of Total Taxable Real Property



County Level Impacts

Anson County

- Total Taxable Value = \$1.9 billion
- Total PUV = \$250,005,300 (13.2% of tax value)
- Total PUV Fire Taxes = \$240,005

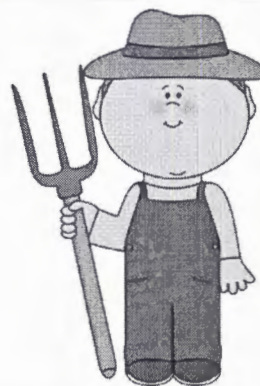
Wake County

- Total Taxable Value = \$144 billion
- Total PUV = \$349,664,144 (0.2% of tax value)
- Total PUV Fire Taxes = \$335,678

What would be the Savings to the Property Owner of Exempting Farmland from Special District Taxes?

Special district fire tax levied on 93 acre Ag parcel

- Land Assessed: \$266,470
- PUV Deferral: \$177,570
- Taxable Value: \$88,900 (\$950 per acre)
- Fire Tax (Based on 10 cents per \$100) = \$88.90



Alternative to Special Tax Districts: Fire Fees

- Allow all counties to adopt a fee schedule to provide additional funding for fire protection/EMS services
- Fees do not need to be based on property value
- Fees do not need to be the same for different classifications of property
- Fees may apply to properties that are exempt from property taxes
- Fees will shift the cost of providing fire protection services

Funding Fire
Protection & EMS
Services

Cindy Avrette
Legislative Analysis Division

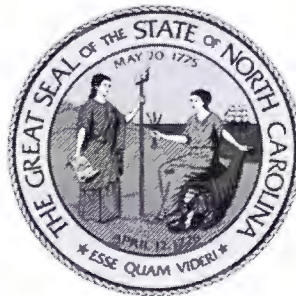
~
Rodney Bizzell
Fiscal Research Division





North Carolina Utilities Commission Public Staff

**Dianna Downey, Staff Attorney
James McLawhorn, Director, Electric
Division**



What is the Public Staff?

- Established in 1977 by N.C. Gen. Stat. § 62-15
- Represents the using and consuming public in North Carolina Utilities Commission proceedings
- Eighty staff members: engineers, accountants, economists, attorneys, analysts
- <https://publicstaff.nc.gov>

Background

- Electric utilities have an obligation to serve at the lowest reasonable cost
- Electric utilities also have the obligation to provide reliable service
 - Federal – NERC standards
 - State – no specific standards, but required to provide reliable service

Transmission Line Planning

- **Utility specific – internal analysis**
 - Power flow studies
 - Load growth
 - Alternatives
 - Surveys
 - Route selection
- **North Carolina Transmission Planning Collaborative**
 - Duke Energy Carolinas
 - Duke Energy Progress
 - ElectriCities of NC (municipals)
 - NCEMC (cooperatives)
 - Long-term integrated transmission expansion plan
 - Reliability
 - Cost
 - TAG – public input
- **Distributed generation**
 - SB 3 and HB 589

NCUC Authority

NC Utilities Commission

- Generally, construction of a transmission line of at least 161 kV requires a certificate of environmental compatibility and public convenience and necessity from the Commission (N.C. Gen. Stat. §§ 62-101 et. seq.)
- In order to obtain a certificate, utility must show:
 - Line is necessary
 - Route is reasonable
 - Costs are reasonable
 - Impact on the environment justified
- The costs of transmission lines are included in rate base and are reflected in the utility's rates
- NCUC Rule R8-62

Utility Easements

- A certificate granted by the Commission to build a transmission line does not include the necessary easements
 - Utility can use railroad or public highway ROW (N.C. Gen. Stat. § 62-180)
 - Utility can obtain right of way for the line from property owners
 - Width of easement needed depends on the size of the line – the greater the voltage of the line, the wider the easement
- Methods of obtaining easements
 - Voluntary conveyance
 - Dedication of public ROW or street by recordation of subdivision plat (N.C. Gen. Stat. § 62-182.1)
 - Condemnation (N.C. Gen. Stat. § 40A-3)
- NCUC does not have authority over establishment of or legal disputes concerning easements

Utility Easements cont.

- Easement costs are generally considered plant held for future use and are not in customer rates until the line is built and in service
- There is no statutory requirement that a utility use an easement within a certain time period
- Utilities reluctant to abandon or give up easements
 - Difficult and costly to obtain



GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2017

FILED SENATE
Nov 27, 2018
S.B. 821
PRINCIPAL CLERK

S

D

SENATE BILL DRS15329-MQ-147A

Short Title: Sunset Unconstitutional Boards & Commissions.

(Public)

Sponsors: Senator Wells (Primary Sponsor).

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO REPEAL STATUTES CREATING THE CHILD CARE COMMISSION; THE
3 CLEAN WATER MANAGEMENT TRUST FUND BOARD OF TRUSTEES; THE
4 NORTH CAROLINA PARKS AND RECREATION AUTHORITY; THE PRIVATE
5 PROTECTIVE SERVICES BOARD; THE RURAL INFRASTRUCTURE AUTHORITY;
6 AND THE STATE BUILDING COMMISSION FOR WHICH THE APPOINTED
7 STRUCTURES WERE RULED UNCONSTITUTIONAL PURSUANT TO MCCRORY V.
8 BERGER AND COOPER V. BERGER.
9 The General Assembly of North Carolina enacts:
10 SECTION 1.(a) Child Care Commission. – G.S. 143B-168.4 is repealed.
11 SECTION 1.(b) Clean Water Management Trust Fund Board of Trustees. –
12 G.S. 143B-135.240 is repealed.
13 SECTION 1.(c) North Carolina Parks and Recreation Authority. –
14 G.S. 143B-135.202 is repealed.
15 SECTION 1.(d) Private Protective Services Board. – G.S. 74C-4 is repealed.
16 SECTION 1.(e) Rural Infrastructure Authority. – G.S. 143B-472.128(a)-(i) is
17 repealed.
18 SECTION 1.(f) State Building Commission. – G.S. 143-135.25 is repealed.
19 SECTION 2. This act becomes effective June 30, 2019. The Department of Natural
20 and Cultural Resources shall serve as the successor-in-interest for all outstanding loans, bonds,
21 notes, or other instruments payable to the Clean Water Management Trust Fund Board of
22 Trustees. The Rural Economic Development Division shall serve as the successor-in-interest for
23 all outstanding loans or other instruments payable to the Rural Infrastructure Authority.



* D R S 1 5 3 2 9 - M Q - 1 4 7 A *



AGRICULTURE AND FORESTRY AWARENESS STUDY COMMISSION

January 16th 2019

Room 544 Legislative Office Building

The Agriculture and Forestry Awareness Study Commission met on Wednesday, January 16th at 10:00am. The meeting was held in Room 544. Commission members present were:

Representative Jimmy Dixon-Co Chair; Representative Kyle Hall-Co Chair; Senator Brent Jackson-Co Chair; Senator Norman Sanderson-Co Chair; Mr. Jimmy Gentry; Mr. Mitchell Peele; Mr. Maurice Berry, Jr.; Ms. Sue Gray; Mr. Howard Isley; and Mr. Melvin Mitchell.

Representative Kyle Hall presided.

Rep. Hall called the meeting to order at 10:02am and acknowledged the Sergeants at Arms from both the House and the Senate that assisted the committee and reminded Commission members to complete their reimbursement paperwork.

Rep. Hall then introduced the Co-Chairs and asked if they had any opening comments. Hearing none, Rep. Hall continued onto the approval of the minutes from the December Commission meeting. The minutes were unanimously approved.

Following approval of the December minutes, Rep. Hall called on the first presenter of the day, Ms. Laura Killian (Presentation 1)

Ms. Killian is the Legislative Liaison of the North Carolina Department of Agriculture; Ms. Killian discussed industrial hemp in North Carolina.

Ms. Killian began her presentation by explaining what industrial hemp is and its history in North Carolina. Ms. Killian then brief summary of the 2018 Farm Bill and the current climate with the Federal Drug Administration. Ms. Killian also provided insight on the number of participants in the industrial hemp program, and the Department's goals for the program. To conclude her presentation, Ms. Killian discussed the current challenges with the industrial hemp program and the legislative recommendations from the Department of Agriculture. Ms. Killian then yielded to questions from Commission members.

Sen Sanderson asked a question about the benefits of a state plan as opposed to an USDA plan.

Ms. Killian stated that the Department has a better understanding of the viability of the crop in our climate and the regulatory authority would be more suitable to form farmers in North Carolina.

Sen. Sanderson asked a follow-up question about the 435 growers, on 7,000 acres, as shown in Ms. Kilian's presentation and whether they were in North Carolina. The Senator also asked if there was a particular region of the state that was more popular for this crop and if it was replacing other crops previously grown in those fields.



Ms. Killian indicated that the crop is grown all across North Carolina and many farmers are using trial and error to determine the viability of growing on their land.

Rep. Dixon asked a question about the contributing factors associated with increased levels of THC in hemp crops.

Ms. Killian indicated that soil composition and climate may be contributing factors. She indicated that Phil Wilson, Director of the Plant Industry Division of the North Carolina Department of Agriculture, would be better suited to answer the question. Mr. Wilson was recognized by Rep. Hall. Mr. Wilson stated that stress and fertilized issues were typical indicators that would cause THC levels to exceed the limit set, but stress was the main cause.

Rep. Dixon asked a follow-up question asking if seed stock controls could lead to lower THC content.

Mr. Wilson responded that parent plant inspection is needed for genetic evidence of potential increases of THC. Higher levels were coming from the western portion of the country. Greenhouse environments are much easier to control. Rep. Hall recognized Commissioner Troxler to add to the explanation. Commissioner Troxler mentioned the difficulty of transporting seed into the state due to federal regulations and green house space usage across the state.

Rep. Dixon had a follow-up statement regarding the profitability of the crop if crops were potentially required to be destroyed and inquired regarding crop insurance.

Commissioner Troxler responded that industrial hemp does qualify for crop insurance, but was unsure if THC content caused destruction was covered.

Rep. Dixon asked a follow-up question regarding administration costs to the department.

Commissioner Troxler responded that the Department has been covering the costs, but as farmers choose to grow, more positions will be necessary.

Ms. Killian also informed the committee of the 299 processors of hemp located within the state.

Rep. Dixon had a follow-up statement to suggest that the Commission suggest that the additional administrative cost come from within the industry and not taxpayers. Rep. Dixon also asked if the billboards in the state were the best use of funds for recruiting the growers.

Ms. Killian is not aware and Commissioner Troxler indicated that he believes the billboards have come from within the industry from private companies. Commissioner Troxler also discussed the Department's plan to initiate a "gold standard" for the hemp industry and stated the importance of quality control of consumption grade hemp.

Sen. Jackson asked if the square foot cost has a breakdown in regards to flower or oil production or transplant costs.



Commissioner Troxler responded that he believes the majority comes from CBD oil production. Mr. Wilson responded that he did not have the exact figures, but that the bulk came from CBD oil production. He also mentioned the production of “cloned” plants as well.

Sen Jackson asked where “cloned” plants were able to be marketed.

Mr. Wilson responded that cloned plants were coming in from other states, and are now made in state. He stated that most marketing was done within the industry. He also noted that these plants did not require nursery certifications.

Sen. Sanderson asked if there was possibility for THC levels of seed to change during production or where it would be seen.

Mr. Wilson responded that THC is tested from the flower and “clones” are tested from the parent plants. He also stated that stressors can change the content of the THC.

Rep. Dixon asked for the variables regarding testing.

Mr. Wilson responded that the tests were random and, as an example, they tested four plants from a grower that had forty planted. He also stated that they normally do not test along the edge or in a doorway. All tests are combined and that is how they were tested.

Rep. Dixon had a follow-up statement regarding the potential for the possibility of illegal plants being planted alongside legal plants.

Rep. Hall recognized Mr. Tony Simpson (Presentation 2)

Mr. Simpson is the Director of the Property Tax Division of the North Carolina Department of Revenue; Mr. Simpson discussed the Departments recommendations on present use value and uniformity between counties.

Mr. Simpson gave a brief history of the Present Use Value Program before explaining the value assessment and the Use Value Advisory Board. Mr. Simpson then discussed the conformity of counties across North Carolina and how the state will continue to seek information to best continue the program in the state.

Commissioner Torxler asked Mr. Simpson which two counties did not use the manual in the presentation.

Mr. Simpson stated that he believes it is Gaston and Lenoir Counties, but they are required to stay within the ranges set.

Rep. Dixon asked regarding cash rents and if the PUV increases as rental income increases.



Mr. Simpson responded that the goal is to not increase revenue, but to properly reflect the present use value of the property.

Rep. Dixon asked a follow-up regarding the average rental transactions in 2016.

Mr. Simpson responded that those were the last numbers and he is not aware of their accuracy now. He also said that the property sales tax normally generated one percent of their budget and that, historically, the information was gathered by telephone.

Sen. Jackson thanked Mr. Simpson for his presentation and asked when the statutory limit that an assessor fee not exceed \$1,200 per acre.

Mr. Simpson responded that he believed it was enacted in 2002, but would have to verify.

Sen. Jackson asked a follow-up question if the capitalization for agriculture and horticulture land was done at the same time.

Mr. Simpson responded that he believed that it was.

Sen. Jackson asked if the General Statute required them to file annually.

Mr. Simpson responded that he believes the statute says "periodically".

Sen. Jackson asked if the last rent study was conducted in 2008 and has not been updated since.

Mr. Simpson responded that Sen. Jackson was correct.

Sen. Jackson asked if the only way to extract more funds from present use value land was to change the General Statute.

Mr. Simpson answered that Sen. Jackson was correct for agriculture land.

Rep. Dixon made a statement to bring the "claw back" provisions to the Commission.

Mr. Simpson agreed and noted Union County as an example of growth.

Rep. Dixon asked Mr. Simpson if there was a way he was aware of to cheat the present use value system.

Mr. Simpson stated that he was not aware of a way to cheat.

Rep. Hall recognized Chris Saunder, Legislative Analysis Division, to address the Commission regarding the Commission Legislative Proposal and final report.

Sen. Jackson requested that Mr. Saunders explain the report.



Sen. Sanderson asked if the Commission had given consideration to potential economic impact to municipalities or other privately owned company regarding the purchase of easements.

Mr. Saunders responded that he has not heard from stakeholders, but that it would be part of the Commission's determination.

Sen. Sanderson asked a follow up question to clarify that if the issue were to come to the Commission for a hearing, that it is part of the long range effects that could be used to retain the easement or eliminate it.

Mr. Saunders agreed.

Sen. Jackson made a statement to the Commission that this issue should be done through the full committee process.

Rep. Dixon addressed the Commission regarding utility easements.

Rep. Hall recognized Sen. Sanderson for a motion.

Sen. Sanderson moved for recommendation of the final report of the Commission.

The motion was seconded by Rep. Dixon.

Rep. Hall, seeing no further discussion or debate, called for a voice vote.

The motion was approved.

Rep. Hall opened the floor to additional Commission Discussion

Sen. Sanderson thanked the public members of the Commission for their hard work.

There being no further business, the meeting adjourned at 11:07 pm.

Rep. Kyle Hall
Presiding

Cameron Dawson, Committee Clerk



From: [NCGA Committee Notices](#)
Subject: <NCGA> Agriculture and Forestry Awareness Study Commission Meeting Notice for Wednesday, January 16, 2019 at 10:00 AM
Date: Tuesday, January 08, 2019 11:35:06 AM
Attachments: [Add Meeting to Calendar - LINC .ics](#)

NORTH CAROLINA GENERAL ASSEMBLY
Raleigh, North Carolina 27601

January 8, 2019

MEMORANDUM

TO: Members, Agriculture and Forestry Awareness Study Commission
FROM: Sen. Brent Jackson, Co-Chair
Rep. Jimmy Dixon, Co-Chair
Rep. Mark Brody, Co-Chair
Sen. Norman W. Sanderson, Co-Chair
Sen. Andy Wells, Co-Chair
Rep. Kyle Hall, Co-Chair
SUBJECT: Meeting Notice

The **Agriculture and Forestry Awareness Study Commission** will meet at the following time:

DAY	DATE	TIME	LOCATION
Wednesday	January 16, 2019	10:00 AM	544 LOB

Rep. Kyle Hall presiding.

Parking for non-legislative meeting attendees is available in the visitor parking deck #75 located on Salisbury Street across from the Legislative Office Building. Parking is also available in the parking lot across Jones Street from the State Library/Archives. You can view a map of downtown by visiting <http://www.ncleg.net/graphics/downtownmap.pdf>.

If you are unable to attend or have any questions concerning this meeting, please contact Cameron Dawson at Hallkla@ncleg.net.

cc: Committee Record ☒
Interested Parties ☒

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This message was sent to you by Cameron Dawson (Rep. Kyle Hall) (hallkla@ncleg.net) because you signed up to receive NC General Assembly Committee Notices by email. To unsubscribe, visit <http://www.ncleg.net/gascripts/Committees/Committees.asp?sAction=ViewDLForm&sActionDetails=Non-Standing>



COMMISSION CO-CHAIRS
SEN. BRENT JACKSON
SEN. NORMAN W. SANDERSON
SEN. ANDY WELLS

REP. MARK BRODY
REP. JIMMY DIXON
REP. KYLE HALL

COMMISSION STAFF
CHRIS SAUNDERS
KYLE EVANS
MARIAH MATHESON

545 LEGISLATIVE OFFICE BUILDING
300 NORTH SALISBURY STREET
RALEIGH, NC 27603
(919) 733-2578

General Assembly of North Carolina

Agriculture and Forestry Awareness Study Commission State Legislative Building Raleigh, North Carolina



EX OFFICIO MEMBERS
MR. JIMMY GENTRY
MR. BOYD McLAURIN
MR. MITCHELL A. PEELE
HON. MICHAEL S. REGAN
HON. STEVEN TROXLER

PUBLIC MEMBERS
MR. ALBERT C. BEATTY
MR. MAURICE K. BERRY, JR.
MR. DAVID L. BURNS
MR. DONALD BUTLER
MS. SUE M. GRAY
MR. C. HOWARD ISLEY
MR. DANNY McCONNELL
MR. MELVIN M. MITCHELL
MR. SHERWOOD PADGETTE
MS. ALICE SCOTT

COMMISSION CLERK
CAMERON DAWSON

AGENDA

3:00 p.m. Thursday, January 10, 2019
Legislative Office Building, Room 544
Raleigh, NC

1. Call to order
Rep. Hall, Presiding
2. Introductory remarks by Co-Chairs
3. Approval of minutes from December meeting
4. Effects of the federal Agriculture Improvement Act of 2018 on industrial hemp
Laura Kilian, Legislative Liaison
Department of Agriculture and Consumer Services
5. Department of Revenue recommendations on present use valuation and uniformity between counties
Tony Simpson, Director, Property Tax Division
Department of Revenue
6. Review and approval of final report
7. Committee discussion and announcements
8. Adjourn



ADDITIONAL INFORMATION:

Persons having questions about the Commission meeting or other matters related to the Commission may contact Chris Saunders, Commission Counsel, or other Commission staff at (919) 733-2578 or may visit the Commissions' website at:

http://www.ncleg.net/gascripts/Committees/committees.asp?sAction=ViewCommittee&sActionDetails=Non-Standing_78



2017-2018 SESSION

[illegible]

NC Industrial Hemp Update



Laura Kilian, Legislative Liaison
NC Department of Agriculture and Consumer Services
January 16, 2019

What is Industrial Hemp?

- *Cannabis sativa* L. with a post-decarboxylation delta-9 THC concentration of 0.3% or less.
- Many uses
 - Fiber/Hurd (stem/inner stem)
 - Food (seeds & oil)
 - Pharmaceutical extracts from floral bracts (subject to FDA regulations [CBD])



History

- Authorized in Farm Bill 2014 as a pilot program.
- Article 50E. of G.S.106-568.50 established in 2015.
- Farm Bill 2018 legalized the production of hemp as an agricultural commodity and removed it from the list of controlled substances.



2018 Farm Bill Details

Nothing affects or changes what is currently in the Food, Drug and Cosmetic Act.

Allows states to regulate hemp production based on a state or tribal plan submitted to USDA.

Plan must include – info on locations of hemp production, testing for THC, disposal of plants.

States can put more restrictive parameters on the production of hemp but cannot alter the definition of hemp or put in place less restrictive policies.

The Secretary must approve plans within 60-days. The final decision is made by the Secretary, but the Secretary must consult with the Attorney General.

The Secretary has the authority to audit plans' compliance.

2018 Farm Bill Details

The Secretary must provide technical assistance to states/tribes on plans.

Any person convicted of a felony relating to a controlled substance cannot participate for a 10-year period following the conviction date – however, if they are already lawfully participating in a state hemp pilot project prior to the enactment of this bill, they can continue.

USDA must develop a plan for those states that do not submit their own plan.

USDA will keep and maintain “real-time information” regarding licenses.

Encourages USDA to enter into a MOU with law enforcement.

USDA will issue rules/guidelines, in consultation with the Attorney General.

Legal Climate with FDA

Current prohibited acts under the Food Drug & Cosmetics Act:

- Marketing of CBD with health claims
- Marketing of CBD in food (animal or human)
- CBD in a dietary supplement

*Recent FDA announcement on 12/20/18

Industrial Hemp Program Participants*

435 Licensed Industrial Hemp Growers

149 nine months prior

6740 Licensed Field Acres

Feb 2500 acres

2,023,542 Licensed Square Feet of Greenhouse production

Feb 322,000 SF

*As of 11/1/2018

NCDA&CS Participation

Research Stations Division

- Receive industrial hemp seed shipments at secure storage site
- Assist Plant Industry Division with distribution to licensed growers

Plant Industry Division

- Process and verify industrial hemp grower applications
- Coordination and collection of regulatory industrial hemp samples for THC% verification
- Maintain current DEA registration for NCDA&CS
- Order hemp seed for licensed growers from foreign sources and oversee hemp production process

Food and Drug Division

- Analyze crop samples for THC levels and report to Plant Industry the findings

Agronomic Division

- Assist licensed growers with agronomy issues-soil related

NCDA&CS Goals

Compliance with current law.

Ensure a safe product for human consumption.

Continue branding industrial hemp as a viable agriculture commodity to contribute to North Carolina's economy.



Current Challenges

47 out of 437 industrial hemp samples collected by NCDA&CS Plant Industry staff tested above the 0.3% THC legal limit.

Rapid growth in North Carolina with limited resources.



Legislative Recommendations

Allow S.L. 2015-299 to expire and adopt new language to stay current with federal law.

Waiting on hemp comm to send to gov

Enabling regulatory language & rulemaking authority for the processing/extraction of CBD oil to ensure the suitability of the processing facility and the identity, purity, strength and composition of the finished product.

Grading service access and marketing support.

Contact Information

Phil Wilson –Director, Plant Industry Division

phil.wilson@ncagr.gov

Brian Bowers, Administrator, Seed and Fertilizer Section

brian.bowers@ncagr.gov

Paul Adams, Seed and Fertilizer Field Supervisor, Seed and Fert. Section

Paul.Adams@ncagr.gov or industrialhemprequests@ncagr.gov

Questions?

Paul Wilson
MS Millon

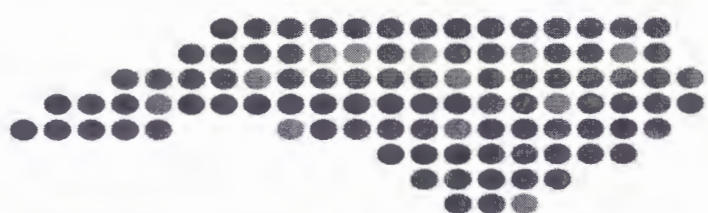
Cannot buy
seeds outside NC

Certified seed
program

needed in NC
like tobacco







NCDOR

**NORTH
CAROLINA
DEPARTMENT
OF REVENUE**

Present Use Valuation and the UVAB Manual

Tony Simpson, Director
NC Department of Revenue
Local Government Division







Market Value vs Present Use Value for Property Tax Purposes

- Market value -estimated price between willing buyer and seller, neither under compulsion to buy or sell with both having reasonable knowledge of property. For property tax purposes it is market value at the date of the last countywide reappraisal.
- Present-use value -land value in its current use as agriculture, horticulture or forestland based on its ability to produce income.



Market Value vs Present Use Value

- Properties that qualify for PUV are appraised at market value and present use value.
- Differ between market value and present use in the tax records are deferred taxes. When the land becomes disqualified from PUV, deferred taxes for current year and three previous years become due and payable.

1 Acre Market Value	\$10,000
1 Acre Present Use Value	— \$1,000
Deferred Value	\$9,000



The Present-Use Value Program

- 3 Classes of Property
 - Agriculture Land
 - Horticulture Land
 - Forestland
- Basic Requirements
 - Ownership
 - Size
 - Income (Applies only to Ag. and Hort. Land)
 - Sound Management



Present-Use Value for Property Taxes

- Statutory requirements:
 - Qualifying properties must be valued at present-use value
 - Present-use value must be value of land in its current, qualifying use
 - Value based solely on its ability to produce income
 - Forestland values based on expected net income



County Assessor

- Assessor responsible for establishing present-use value for county
- General Assembly provides resources to assist the assessor
- General Assembly requires a set of recommended values be developed annually by the Use Value Advisory Board (UVAB)
- UVAB provides a use-value manual to DOR annually
- DOR distributes manual to local assessors

- Most assessors use UVAB recommended values
 - 98 counties develop values using UVAB manual
 - 2 counties do not use the UVAB manual
 - Some counties unable to identify soil types in GIS
- Statutory limits for assessor
 - May not exceed \$1,200/acre for agriculture land
 - Capitalization rates for agriculture and horticulture land must be 6.5%
 - Capitalization rates for forestland must be 9%



Use-Value Advisory Board

- Established under supervision of Agriculture Extension Service of NC State University
- Comprised of the following members:
 - Director of NCSU Agriculture Extension – Chair
 - Rep. of Dept. of Ag. and Consumer Services
 - Rep. from NC Forest Service
 - Rep. from NC A&T Ag. Extension Service
 - Rep. from NC Farm Bureau Federation, Inc.
 - Rep. from NC Assoc. of Assessing Officers
 - Director of Local Govt. Division – NCDOR
 - Rep. of NC Assoc. of County Commissioners
 - Rep. of the NC Forestry Association

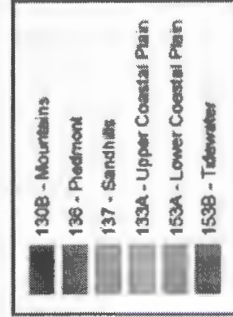
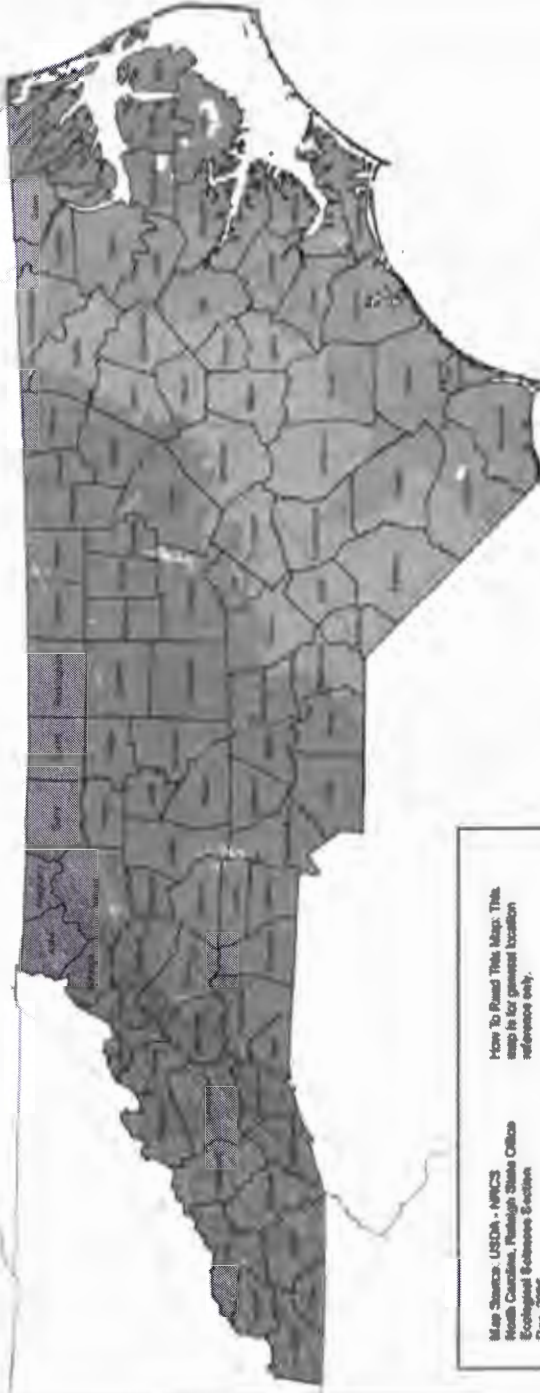
- Addresses three major areas:
 - Agriculture and horticulture values and capitalization rates
 - Forestland values
 - Evergreens intended for use as Christmas trees

- Based on capitalization of estimated cash rental rates for various classes of soils found in state
- Periodic cash rent study results provided to UVAB to establish PUV rates
- Last cash rent study completed in 2008.
- Rent study was done by the National Agriculture Statistics Service in cooperation with the NC Dept. of Agriculture and Consumer Services.

- Cash rental rates analyzed by geographic location and soil productivity
- Rates determined for each soil classification
- Soils divided into three productive soils categories and one unproductive soils category
- Soils grouped by geographic regions determined by major land resource area



Major Land Resource Areas North Carolina



Map Source: USDA - NRCS
North Carolina, Raleigh State Office
Ecological Sciences Section
Dec. 2006

Data Source: USDA - NRCS, NCDCOT,
and USGS Base map layers.

Map Location:
R:\gisdata\nc\maplayers

How To Read This Map: This map is for general location reference only.

Purpose: This map displays the Major Land Resource Areas of the USDA - NRCS

0 25 50 100 Miles

1:3,200,000

Map Projection: Albers Equal Area
Datum: NAD83

- Cash Rental Rate \div Capitalization Rate = Present-Use Value
- Capitalization rate must be between 6% - 7%
- General Assembly delegated authority to UVAB to set rate
- Current adopted rate is 6.5%

AGRICULTURAL RENTS

MLRA	BEST	AVERAGE	FAIR
130	90.30	54.30	35.50
133A	\$2.15	58.30	43.65
136	61.80	42.10	27.35
137	67.50	47.30	32.20
153A	77.10	56.10	42.20
153B	103.95	70.70	53.00

AGRICULTURAL SCHEDULE

MLRA	CLASS I	CLASS II	CLASS III
130	\$1,200*	\$835	\$545
133A	\$1,200*	\$895	\$670
136	\$950	\$645	\$420
137	\$1,035	\$725	\$495
153A	\$1,185	\$860	\$645
153B	\$1,200*	\$1,085	\$815

$$\text{MLRA 130} \frac{\$90.30}{.065} = \$1,389$$

Maximum Value is \$1,200*

--NOTE: All Class 4 or Non-Productive Land will be appraised at \$40.00 per acre.

--For 2019, rents were increased 10% to more accurately represent the current cash rents and then divided by a capitalization rate of 6.5% to produce the Agricultural Schedule.

* As required by statute, agricultural values cannot exceed \$1,200.

- Determined by capitalizing the net income ranges for forestland
- Five-year rolling average used to offset any abrupt changes in market
- Soils divided into five productive soils categories and one unproductive soils category
- Soils grouped by geographic regions determined by major land resource area
- Differ than Agriculture and Horticulture resources are available to update forest market information data annually



Forestland Values and Capitalization Rate

- $\text{Net Income} \div \text{Capitalization Rate} = \text{Present-Use Value}$
- Capitalization rate must be 9%



FORESTLAND NET PRESENT VALUES

MLRA	Class I	Class II	Class III	Class IV	Class V
130	\$29.99	\$18.86	\$6.91	\$4.74	\$3.26
133A	\$27.99	\$21.13	\$18.14	\$7.08	\$4.79
136	\$32.51	\$23.29	\$22.57	\$14.53	\$10.42
137	\$34.35	\$22.72	\$22.57	\$7.68	\$2.95
153A	\$27.99	\$21.13	\$18.14	\$7.08	\$4.79
153B	\$22.56	\$18.14	\$17.18	\$7.08	\$4.79

FORESTLAND SCHEDULE

MLRA	Class I	Class II	Class III	Class IV	Class V
130	\$330	\$205	\$75	\$50	\$40
133A	\$310	\$230	\$200	\$75	\$50
136	\$360	\$255	\$250	\$160	\$115
137	\$380	\$250	\$250	\$85	\$40
153A	\$310	\$230	\$200	\$75	\$50
153B	\$250	\$200	\$190	\$75	\$50

$$\text{MLRA 130} \frac{\$29.99}{.09} = \$333$$

--NOTE: All Class VI or Non-Productive Land will be appraised at \$40.00/Acre. Exception:
For MLRA 130 use 80 % of the lowest valued productive land.

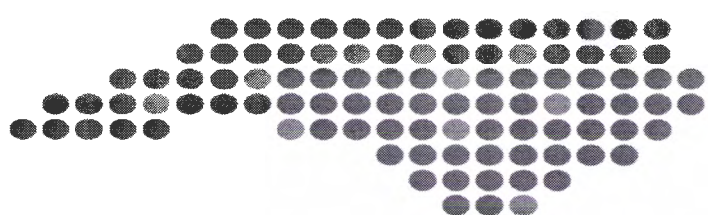
--Net Present Values were divided by a capitalization rate of 9.00% to produce the Forestland
Schedule.

- County Uniformity: 98 counties use UVAB Manual
- Counties question lack of updated cash rent study
 - Last study completed in 2008
 - Counties required to update real property values every 8 years by statute
 - Updated cash rent study for Ag and Hort will take into account market fluctuations
 - UVAB increased Ag and Hort rents by 10% for 2019 to better reflect current market rents
- Statutory cap for agriculture values currently \$1,200 per acre

- Option A – Appropriate funding to the Department of Agriculture to update cash rent market studies on a periodic basis. Appropriation ended after the 2009 manual.
- Option B – Provide funding for cash rent studies thru sales tax to increase LGD budget to update cash rent studies on a periodic basis.

Study could be conducted on an annual, bi-annual or 4 year basis

Estimated cost of study in 2016 was approximately \$60,000



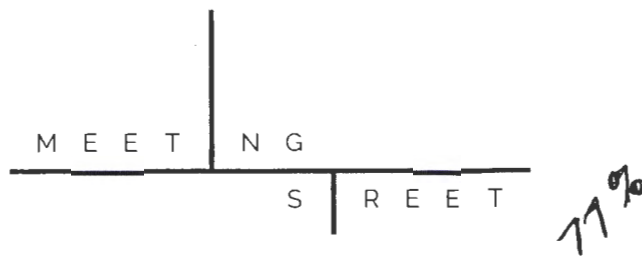
NCDOR

NORTH
CAROLINA
DEPARTMENT
OF REVENUE

UVAB Manual – NCDOR website

<https://www.ncdor.gov/documents/2019-use-value-manual>





TO: KATHY HAWKINS
FROM: ROB AUTRY
DATE: SEPTEMBER 16, 2019
RE: KEY SURVEY FINDINGS FROM THIS WEEKEND'S SURVEY

Meeting Street Research is pleased to present Duke Energy with the key findings from a statewide survey of registered voters in North Carolina. Interviews were completed September 12-15, 2019, among 600 registered voters with a mix of cell phone and landline interviewing (live caller interviews). The margin of error for a sample size of N=600 is $\pm 4.0\%$. The partisan composition of the survey sample was 31% Republican, 38% Democratic, and 30% Unaffiliated (very much in-line with current voter registration figures).

#1 / There is broad and overwhelming statewide support for the proposed Bill 559 legislation. When given a description of the legislation (see attached topline for question wording), more than eight out of ten North Carolina voters (85%) say they support it, with 11% opposing it and 3% undecided/not sure.

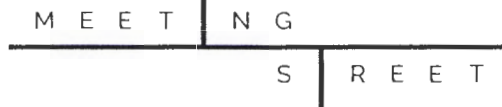
Even more impressive than the overall figure is the fact that the proposed legislation has broad bipartisan support: fully 87% of rank-and-file Democratic voters support it, as do 80% of Republicans and 88% of Unaffiliateds.

#2 / All four of the individual components of Bill 559 are also met with widespread support from voters. We tested reactions to the legislation's four main parts and found high levels of support across-the-board:

Allow the NC Utilities Commission to set multi-year rate plans (77% support – 15% oppose; 30% strongly support);
Allow power companies to sell bonds for storm cleanup costs (85% support – 10% oppose; 47% strongly support);
Require power companies to refund overearnings (83% support – 15% oppose; 56% strongly support);
and,
Require power companies to spend some of their profits in local communities (80% support – 17% oppose; 47% strongly support).

#3 / This survey data suggests opposition to Bill 559 could cause some voters to rethink their support for elected officials. Fully 69% of North Carolina voter say they would be less likely to vote for a State Representative who opposed this legislation and 64% say they would be less likely to vote for Governor Roy Cooper if threatened to veto the legislation should it reach his desk. Moreover, if Governor Cooper carried out this veto threat, his ballot lead (up eight points) would turn into a ballot deficit (training by 4 points) in a hypothetical ballot match-up against Lieutenant Governor Dan Forest (losing seven points overall).





NORTH CAROLINA STATEWIDE SURVEY

Field Dates: September 12–15, 2019
Sample Size: N=600 Registered Voters (50% Cell)
Margin of Error: +/- 4.0%

* Denotes result less than 0.5%.

NOTE: Total number may differ due to rounding, some figures may be higher or lower by less than one-half of one percent.

Questions A–C

Next, I am going to read you the names of several public figures, organizations and companies, and I'd like you to rate your feelings toward each one. Is your opinion of them very positive, somewhat positive, neutral, somewhat negative, or very negative? If you don't know that particular individual, organization or company, please just say so and we'll move on to the next one.

	TOT HRD OF	TOT POS	TOT NEG	VERY POS	SMWT POS	SMWT NEG	VERY NEG	NEU	HRD OF NO OPIN	NVR HRD OF	REF
A. Duke Energy	90%	40%	23%	13%	27%	14%	9%	27%	7%	3%	*
B. President Donald Trump	98%	43%	48%	31%	12%	8%	40%	7%	2%	--	*
C. Governor Roy Cooper	88%	42%	29%	20%	22%	11%	18%	17%	7%	5%	*



Question D

And, based on what you know and have seen, read, or heard, how would you rate power companies like Duke Energy's response to Hurricanes Florence, Michael, and Dorian? Would you say power companies like Duke Energy's response to Hurricanes Florence, Michael, and Dorian was excellent, good, only fair, or poor?

- 28% EXCELLENT
- 39% GOOD
- 15% ONLY FAIR
- 2% POOR
- 16% DON'T KNOW
- 1% REFUSED

67% TOTAL EXCELLENT/GOOD

17% TOTAL FAIR/POOR

Question E

Now, even though it's a ways away, if next year's election for Governor in North Carolina were being held today, for whom would you vote between Dan Forest, Republican, and Roy Cooper, Democrat?

- 41% DAN FOREST
- 49% ROY COOPER
- 1% WOULDN'T VOTE
- 9% NOT SURE/UNDECIDED
- * REFUSED

Question F

Thinking about the November 2020 election for the North Carolina State Legislature in Raleigh. If the election for the State Legislature were being held today, for whom would you vote, the Republican candidate or the Democratic candidate in your district?

- 39% REPUBLICAN CANDIDATE
- 46% DEMOCRATIC CANDIDATE
- 1% WOULDN'T VOTE
- 13% NOT SURE/UNDECIDED
- 1% REFUSED

As you may have heard, there is legislation regarding electricity providers being considered in the North Carolina state legislature. This proposed legislation gives the North Carolina Utilities Commission several new options or tools for setting the rates North Carolinians pay for their electricity. The proposed legislation consists of four different parts and I'm going to tell you a little bit about each part of the proposed changes, and after I read each of the three parts, please tell me if you support or oppose that particular part of the proposed legislation.

Question G

The change would allow the state's Utilities Commission—which sets power rates in North Carolina—to use a three-year plan to approve utility spending in advance instead of an annual rate case that looks at utility spending after the money is spent. This proposal would allow regulators to set rates for up to three years in advance. Many other states have similar multi-year rate-making plans, and customers in those states typically save money on their power bills when multi-year rate-making is used.

Based on that, would you generally SUPPORT or OPPOSE this part of the proposed legislation?

30% STRONGLY SUPPORT
47% SOMEWHAT SUPPORT
11% SOMEWHAT OPPOSE
4% STRONGLY OPPOSE
7% DON'T KNOW
1% REFUSED

77% TOTAL SUPPORT
15% TOTAL OPPOSE



Question H

This proposed legislation would allow the Utilities Commission to change the way power companies pay for hurricane and major storm-related repair and cleanup costs. Currently, the power companies take out loans to pay for cleanups, and the Utilities Commission raises electricity rates on customers to pay the loans back. This proposal would allow the power companies to sell bonds, which are cheaper than loans, and use those funds to pay for cleanup and restoring power after hurricanes and major storms. This reduces the ultimate cost to customers by 15-20%.

Based on that, would you generally SUPPORT or OPPOSE this part of the proposed legislation?

- 47% STRONGLY SUPPORT
- 39% SOMEWHAT SUPPORT
- 5% SOMEWHAT OPPOSE
- 6% STRONGLY OPPOSE
- 4% DON'T KNOW
- 1% REFUSED

85% TOTAL SUPPORT

10% TOTAL OPPOSE

Question I

This proposed legislation would, for the first time, end a power company's ability to keep profits for corporate shareholders that exceed the target set by the North Carolina Utilities Commission. Instead the legislation would require power companies to refund and return overearnings directly to customers when a company makes money above the target range set by the North Carolina Utilities Commission.

- 56% STRONGLY SUPPORT
- 27% SOMEWHAT SUPPORT
- 9% SOMEWHAT OPPOSE
- 5% STRONGLY OPPOSE
- 3% DON'T KNOW
- * REFUSED

83% TOTAL SUPPORT

14% TOTAL OPPOSE



Question J

This proposed legislation would require using some power company profits for investments in our North Carolina communities to help build affordable housing, for job creation and economic development projects, to modernize the electrical grid to protect against cyber and terrorist attacks, improve efficiency and to help reduce low income families' power bills by providing customers upgrades, such as energy efficient appliances.

47% STRONGLY SUPPORT
33% SOMEWHAT SUPPORT
8% SOMEWHAT OPPOSE
9% STRONGLY OPPOSE
2% DON'T KNOW
1% REFUSED

80% TOTAL SUPPORT

17% TOTAL OPPOSE

Question K

Now, having heard detailed descriptions of this proposed legislation, which to recap would: one, allow the state's Utility Commission to set multi-year rate plans instead of a new rate plan every single year, two, allow power companies to sell bonds and use those funds to pay for storm repair costs, three, require power companies to refund excess profits to customers for the first time and, four, require power companies to spend some of their profits on things like low-income housing, economic development and job creations projects, and modernizing the power grid to protect against cyber-attacks. Overall, would you generally SUPPORT or OPPOSE the entire proposed legislation?

43% STRONGLY SUPPORT
42% SOMEWHAT SUPPORT
8% SOMEWHAT OPPOSE
3% STRONGLY OPPOSE
3% DON'T KNOW
1% REFUSED

85% TOTAL SUPPORT

11% TOTAL OPPOSE



Question L

Now, if you knew that your state representative in the General Assembly had voted AGAINST this legislation that helps Hurricane victims and their communities by reducing storm-related clean-up costs on customers' power bills by at least 15 to 20 percent, would that make you MORE likely or LESS likely to vote for that representative in the 2020 election?

- 5% MUCH MORE LIKELY
- 8% SOMEWHAT MORE LIKELY
- 37% SOMEWHAT LESS LIKELY
- 32% MUCH LESS LIKELY
- 15% DON'T KNOW
- 3% REFUSED

13% TOTAL MORE LIKELY

69% TOTAL LESS LIKELY

Question M

Now, if you knew the General Assembly had passed this legislation with the support of both Democratic and Republican legislators but Governor Roy Cooper was threatening to veto the legislation, would that make you MORE likely or LESS likely to vote for Governor Cooper in the 2020 election?

- 12% MUCH MORE LIKELY
- 8% SOMEWHAT MORE LIKELY
- 28% SOMEWHAT LESS LIKELY
- 36% MUCH LESS LIKELY
- 13% DON'T KNOW
- 4% REFUSED

20% TOTAL MORE LIKELY

64% TOTAL LESS LIKELY

M
S

Question N

Finally, even though it's a ways away, if next year's election for Governor in North Carolina were being held today, and you knew Governor Cooper had vetoed this legislation that helps Hurricane victims and their communities by reducing storm-related clean-up costs on customers' power bills by at least 15 to 20 percent, for whom would you vote between Dan Forest, Republican, and Roy Cooper, Democrat?

- 46% DAN FOREST *(was 41% before testing Bill 559)*
- 42% ROY COOPER *(was 49%)*
- 1% WOULDN'T VOTE *(was 1%)*
- 10% NOT SURE/UNDECIDED *(was 9%)*
- 1% REFUSED

Question D1

Age (What year were you born?)

- 19% 18 - 34
- 17% 35 - 44
- 18% 45 - 54
- 22% 55 - 64
- 24% 65 AND ABOVE
- * REFUSED

Question D2

And, are you registered to vote as a Republican, a Democrat, an Unaffiliated, Independent or something else?

- 23% STRONG REPUBLICAN
- 8% NOT-SO-STRONG REPUBLICAN
- 5% LEAN REPUBLICAN
- 19% UNAFFILIATED/INDEPENDENT/SOMETHING ELSE
- 7% LEAN DEMOCRAT
- 14% NOT-SO-STRONG DEMOCRAT
- 24% STRONG DEMOCRAT
- 1% DON'T KNOW/REFUSED

31% TOTAL REPUBLICAN

38% TOTAL DEMOCRAT

30% TOTAL LEAN/UNAFFILIATED

Question D3

Generally speaking, do you consider yourself to be conservative, moderate or liberal on most issues?

- 22% VERY CONSERVATIVE
- 19% SOMEWHAT CONSERVATIVE
- 34% MODERATE
- 9% SOMEWHAT LIBERAL
- 11% VERY LIBERAL
- 4% DON'T KNOW
- 1% REFUSED

41% TOTAL CONSERVATIVE

34% MODERATE

20% TOTAL LIBERAL

Question D4

And what is the last grade you completed in school?

- 1% SOME GRADE SCHOOL
- 2% SOME HIGH SCHOOL
- 23% GRADUATED HIGH SCHOOL
- 3% TECHNICAL/VOCATIONAL SCHOOL
- 31% SOME COLLEGE
- 28% GRADUATED COLLEGE
- 12% POST-GRADUATE
- 1% REFUSED

25% HIGH SCHOOL OR LESS

34% SOME COLLEGE

40% COLLEGE+

Question D5

And for statistical purposes only, is your total annual household income greater or less than \$60,000 dollars?

- 9% UNDER \$20,000
- 17% \$20,000 - \$40,000
- 14% \$40,000 - \$60,000
- 16% \$60,000 - \$80,000
- 15% \$80,000 - \$100,000
- 19% OVER \$100,000
- 9% REFUSED

41% LESS THAN \$60K

50% \$60K+

M
S

Question D6

And just for statistical purposes, what is your main racial or ethnic heritage?

- 71% CAUCASIAN OR WHITE
- 22% AFRICAN-AMERICAN OR BLACK
- 4% HISPANIC
- * ASIAN
- 1% OTHER
- 2% REFUSED

Question D7

Gender.

- 47% MALE
- 53% TOTAL FEMALE**
- 25% EMPLOYED
- 21% RETIRED/STUDENT/UNEMPLOYED AND LOOKING
- 5% HOMEMAKER
- 2% REFUSED

Committee Sergeants at Arms

NAME OF COMMITTEE Agriculture and Forestry Awareness Study Commission

DATE: January 16, 2019

Room: 544 LOB

House Sgt-At Arms:

1. Name: Jonas Cherry

2. Name: Rey Cooke

3. Name: Dean Marshbourne

4. Name: _____

5. Name: _____

Senate Sgt-At Arms:

1. Name: EDDIE BROUGHTON

2. Name: JOHN ENLOE

3. Name: _____

4. Name: _____

5. Name: _____



VISITOR REGISTRATION SHEET

Agriculture and Forestry Awareness Study Commission January 16, 2019

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Brads Rainey Pearson	SELC
May Mullen Ashin	SELC
Alfred Wimberly	NCCN
D Clary	NCSF
TIM BRADLEY	NC STATE FIREFIGHTERS' ASSO
Prison Taylor	NC DOI/OSFM
ED BRINSON	NC STATE FIREFIGHTERS' ASSN.
TOMY SIMPSON	NC DOR / LGD
Mike Connolly	NC DOR
STEVE PELFREN	NCDOR
JOHN COOPER	CONNECT C



VISITOR REGISTRATION SHEET

Agriculture and Forestry Awareness Study Commission January 16, 2019

Name of Committee

Date _____

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME _____

FIRM OR AGENCY AND ADDRESS

Amber Harris

NUAZ L

5/1/20

NC AEC

Lisa Martin

Cap-Adv.

Dick Carlton

Low 'off' yRHC rule

Tommy Stevens

Stevens Lobby

James and Frank Pindall

и ме



VISITOR REGISTRATION SHEET

Agriculture and Forestry Awareness Study Commission January 16, 2019

Name of Committee

Date _____

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME _____

FIRM OR AGENCY AND ADDRESS

Joy Strickland

SB1

Rhian Mewald

SB I

Bradford Snodden

NC DOJ

Clavin Shuemaker

Governor's Office

Carmen Holly

MLA



VISITOR REGISTRATION SHEET

Agriculture and Forestry Awareness Study Commission January 16, 2019

Name of Committee

Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

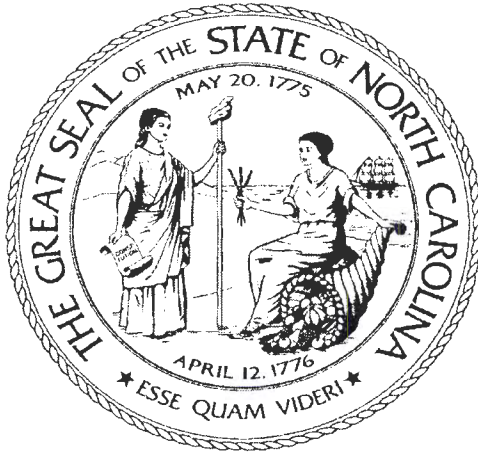
NAME

FIRM OR AGENCY AND ADDRESS

Joe Rearden	NCDA & CS
Phil Wilson	NCDA & CS
Susan Vice	Duke Energy
Lauri Bantant	NC GRANGE
Joy Wicks	NC DEQ
Paul Shorn	NCFB
Steve Woodson	NCFB
Kory Kiger	NCRMA
Katy Schell	NCDOJ
Amanda Venable	NCDOJ
Jennifer West	NCDOJ



NORTH CAROLINA GENERAL ASSEMBLY



AGRICULTURE AND FORESTRY AWARENESS STUDY COMMISSION

REPORT TO THE 2019 SESSION of the 2019 GENERAL ASSEMBLY OF NORTH CAROLINA

JANUARY 16, 2019

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TRANSMITTAL LETTER

January 16, 2019

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TO THE MEMBERS OF THE 2019 REGULAR SESSION
OF THE 2019 GENERAL ASSEMBLY

Pursuant to Article 19 of Chapter 120 of the General Statutes, the AGRICULTURE AND FORESTRY AWARENESS STUDY COMMISSION, respectfully submits the following report to the 2019 Regular Session of the 2019 General Assembly.

Sen. Brent Jackson (Co-Chair)

Rep. Mark Brody (Co-Chair)

Sen. Norman W. Sanderson (Co-Chair)

Rep. Jimmy Dixon (Co-Chair)

Sen. Andy Wells (Co-Chair)

Rep. Kyle Hall (Co-Chair)

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COMMISSION MEMBERSHIP

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2017-2018

Co-Chairs

[Rep. Mark Brody](#)

Ex Officio

[Rep. Jimmy Dixon](#)

Ex Officio

[Rep. Kyle Hall](#)

House Appointment

[Rep. Bob Steinburg](#)

Ex Officio

[Sen. Bill Cook](#)

Ex Officio

[Sen. Brent Jackson](#)

Senate Appointment

[Sen. Norman W. Sanderson](#)

Ex Officio

[Sen. Andy Wells](#)

Ex Officio

Ex Officio Members

Mr. Jimmy Gentry

Ex Officio

Mr. Boyd McLaurin

Ex Officio

Mr. Mitchell A. Peele

Ex Officio

Mr. Michael S. Regan

Ex Officio

Hon. Steven Troxler

Ex Officio

Public Members

Mr. Albert C. Beatty

Governor's Appointment

Mr. Maurice K. Berry, Jr.

Other Appointment

Mr. David L. Burns

Governor's Appointment

Ms. Donald Butler

Senate Appointment

Ms. Sue M. Gray

House Appointment

Mr. C. Howard Isley

House Appointment

Mr. Danny McConnell

Senate Appointment

Mr. Melvin M. Mitchell

Governor's Appointment

Mr. Sherwood Padgett

Senate Appointment

Ms. Alice H. Scott

House Appointment

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STATUTORY AUTHORITY

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Article 19.

Agriculture and Forestry Awareness Study Commission.

§ 120-150. Creation; appointment of members.

There is created an Agriculture and Forestry Awareness Study Commission. Members of the Commission shall be citizens of North Carolina who are interested in the vitality of the agriculture and forestry sectors of the State's economy. Members shall be as follows:

- (1) Three appointed by the Governor.
- (2) Three appointed by the President Pro Tempore of the Senate.
- (3) Three appointed by the Speaker of the House.
- (4) The chairs of the House Agriculture Committee.
- (5) The chairs of the Senate Committee on Agriculture, Environment, and Natural Resources.
- (6) The Commissioner of Agriculture or the Commissioner's designee.
- (7) A member of the Board of Agriculture designated by the chair of the Board of Agriculture.
- (8) The President of the North Carolina Farm Bureau Federation, Inc., or the President's designee.
- (9) The President of the North Carolina State Grange or the President's designee.
- (10) The Secretary of Environmental Quality or the Secretary's designee.
- (11) The President of the North Carolina Forestry Association, Inc., or the President's designee.

Members shall be appointed for two-year terms beginning October 1 of each odd-numbered year. The Chairs of the House Agriculture Committee and the Chairs of the Senate Committee on Agriculture, Environment, and Natural Resources shall serve as cochairs. The President Pro Tempore of the Senate and the Speaker of the House of Representatives may each appoint an additional member of the Senate and House, respectively, to serve as cochair. If appointed, these cochairs shall be voting members of the Commission. A quorum of the Commission is nine members.

§ 120-151. Advisory Committee.

Upon proper motion and by a vote of a majority of the members present, the Commission may appoint an Advisory Committee. Members of the Advisory Committee should be from the various organizations, commodity groups, associations, and councils representing agriculture and forestry. The purpose of the Advisory Committee shall be to render technical advice and assistance to the Commission. The Advisory Committee shall consist of no more than 20 members plus a chairman who shall be appointed by the cochairmen of the Commission.

§ 120-152. Subsistence and travel expenses.

The members of the Commission who are members of the General Assembly shall receive subsistence and travel allowances at the rate set forth in G.S. 120-3.1. Members who are officials or employees of the State of North Carolina shall receive subsistence and travel allowances at the rate set forth in G.S. 138-6. All other members plus the Chairman of the

Advisory Committee shall be paid the per diem allowances at the rates set forth in G.S. 138-5. Other members of the Advisory Committee shall serve on a voluntary basis and not receive subsistence and travel expenses.

§ 120-153. Facilities and staff.

The Commission may hold its meetings in the State Legislative Building with the approval of the Legislative Services Commission. The Legislative Services Commission shall provide necessary professional and clerical assistance to the Commission.

§ 120-154. Duties.

The Commission shall bring to the attention of the General Assembly the influence of agriculture and forestry on the economy of the State, develop alternatives for increasing the public awareness of agriculture and forestry, study the present status of agriculture and forestry, identify problems limiting future growth and development of the industry, develop an awareness of the importance of science and technological development to the future of agriculture and forestry industries, and formulate plans for new State initiatives and support for agriculture and forestry and for the expansion of opportunities in these sectors.

In conducting its study the Commission may hold public hearings and meetings across the State.

The Commission shall report to the General Assembly at least one month prior to the first regular session of each General Assembly.

COMMISSION PROCEEDINGS

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The Agriculture and Forestry Awareness Study Commission met two times after the 2018 Regular Session. The following is a brief summary of the Commission's proceedings. Detailed minutes and information from each Commission meeting are available in the Legislative Library.

AGENDA

10:00 a.m. Wednesday, December 12, 2018

Legislative Office Building, Room 544
Raleigh, NC

1. Call to order
Sen. Jackson, Presiding
2. Introductory remarks by Co-Chairs
3. Funding fire protection and EMS services
Cindy Avrette, Staff Attorney, Legislative Analysis Division
Rodney Bizzell, Fiscal Analyst, Fiscal Research Division
4. Presentation on electric utility transmission planning and easement acquisition
James McLawhorn, Director, Electric Division
Dianna Downey, Staff Attorney
North Carolina Utilities Commission Public Staff
5. Committee discussion and announcements
6. Adjourn

The first meeting of the Agriculture and Forestry Study Awareness Commission was held on Wednesday, December 12, 2018 at 10:00 a.m. in Room 544 of the Legislative Office Building. Senator Brent Jackson presided.

Ms. Cindy Avrette, Staff Attorney, Legislative Analysis Division, and Mr. Rodney Bizzell, Fiscal Analyst, Fiscal Research Division, presented on how counties fund fire protection and EMS services through both general and special tax districts. The presentation also examined potential impacts of excluding certain farmland currently enrolled in a present-use value (PUV) program from fire district taxation.

The Commission discussed the "clawback" provision for farmland enrolled in PUV programs, the variety in land value among different PUV programs throughout the State, potentially normalizing PUV land values throughout the State, the frequency of woodland/rural fire calls, and the bundling of fire and EMS services.

Mr. Tim Bradley, Executive Director, NC Firefighters Association, gave public comment against reducing tax funding for local fire departments, particularly those departments located in rural areas.

Mr. James McLawhorn, Director of Electric Division, and Ms. Dianna Downey, Staff Attorney, NC Utilities Commission Public Staff, presented on electric utility transmission planning and easement acquisition.

The Commission discussed easement requirements for higher voltage lines, current requests from underlying landholders to buy back utility easements, and the current inventory of unused easements in the State.

Mr. Buz Moore, Senior Acquisition Agent, Duke Energy, gave public comment against requiring utilities to return unused utility easements to the underlying landholders.

Mr. Stuart Surles, Harnett County, gave public comment in support of requiring utilities to return unused utility easements to the underlying landholders.

AGENDA

10:00 a.m. Thursday, January 16, 2019

Room 544, Legislative Office Building,
Raleigh, NC

1. Call to order
Rep. Hall, Presiding
2. Introductory remarks by Co-Chairs
3. Approval of minutes from December meeting
4. Effects of the federal Agriculture Improvement Act of 2018 on industrial hemp
Laura Kilian, Legislative Liaison
Department of Agriculture and Consumer Services
5. Department of Revenue recommendations on present use valuation and uniformity
between counties
Tony Simpson, Director, Property Tax Division
Department of Revenue
6. Review and approval of final report
7. Committee discussion and announcements
8. Adjourn

The second meeting of the Agriculture and Forestry Study Awareness Commission was held on Thursday, January 16, 2019 at 10:00 a.m. in Room 544 of the Legislative Office Building. Representative Kyle Hall presided.

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LEGISLATIVE PROPOSALS

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**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2019**

D

BILL DRAFT 2019-TQ-1 [v.11]

(THIS IS A DRAFT AND IS NOT READY FOR INTRODUCTION)
01/07/2019 10:03:01 AM

(Public)

Sponsors:

Referred to: _____

A BILL TO BE ENTITLED
AN ACT TO REQUIRE UTILITY COMPANIES TO DISPOSE OF CERTAIN UNUSED
EASEMENTS UNDER CERTAIN CIRCUMSTANCES.

The General Assembly of North Carolina enacts:

SECTION 1. Article 9 of Chapter 62 of the General Statutes is amended by adding a new section to read:

"§ 62-193. Disposition of certain unused easements.

(a) The underlying fee owner of land encumbered by any easement acquired by a utility company, whether acquired by purchase or by condemnation, on which construction has not been commenced by the utility company for the purpose for which the easement was acquired within 20 years of the date of acquisition, may file a complaint with the Commission for an order requiring the utility company to terminate the easement in exchange for payment by the underlying fee owner of the current fair market value of the easement.

(b) Upon receipt of the complaint, the Commission shall serve a copy of the complaint on each utility company named in the complaint, together with an order directing that the utility company file an answer to the complaint within 90 days after service.

(c) If the utility company agrees to terminate the easement, the utility company shall submit to the Commission, within the time allowed for answer, an original plus four copies of a statement of the utility company's agreement to terminate the easement.

(d) If the utility company does not agree that the easement should be terminated, the utility company may request a determination from the Commission as to whether the easement is necessary or advisable for the utility company's long-range needs for the provision of utilities to serve its service area, and whether termination of the easement would be contrary to the interests of the using and consuming public. The Commission may conduct a hearing on the matter, which shall be conducted in accordance with Article 4 of this Chapter. Either party may appeal the Commission's decision in accordance with Article 5 of this Chapter. The burden of proof shall be on the utility company to show that the easement is necessary or advisable for the

1 utility company's long-range needs for the provision of utilities to serve its service area and that
2 termination of the easement would be contrary to the interests of the using and consuming public.

3 (e) If the underlying fee owner and the utility company cannot reach a mutually agreed
4 upon fair market value of the easement, whether terminated voluntarily or by order of the
5 Commission, the Commission shall make a request to the clerk of superior court in the county
6 where the easement is located for the appointment of commissioners to determine the fair market
7 value of the easement in accordance with the process set forth in G.S. 40A-48.

8 (f) If the Commission decides that the easement should not be terminated, the underlying
9 fee owner may not file a complaint with the Commission under this section regarding the same
10 easement for a period of five years from the date of the decision.

11 (g) For purposes of this section, the term "utility company" means a public utility as
12 defined in G.S. 62-3(23), a municipality providing utility services, an authority organized under
13 the North Carolina Water and Sewer Authorities Act, a sanitary district, a metropolitan water
14 district, a metropolitan sewerage district, a metropolitan water and sewerage district, a county
15 water and sewer district, or an electric or telephone membership corporation."

16 **SECTION 2.** This act becomes effective October 1, 2019, and applies to easements
17 acquired on or after that date.