

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0453-01  
Bill No.: HB 303  
Subject: Agriculture and Animals; Agriculture Dept.; Bonds - General Obligation and Revenue  
Type: Original  
Date: February 14, 2005

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**FISCAL ANALYSIS**

**ASSUMPTION**

Officials from the **Department of Agriculture and Department of Economic Development - Division of Credit Unions and Division of Finance** assume no fiscal impact to their agency.

Officials from the **State Treasurer's Office (STO)** assume they would require three new additional staff to staff the linked deposit program as summarized below:

Linked Deposit Administrator - \$45,384 (range 28)  
 2 Time Deposit Coordinators – \$32,00 each (range 21)

Total \$109,384

The STO would also need to budget for additional materials and services. These include the cost of a 1-800 line, travel costs to conferences, an informational Policy and Procedures manual distributed to the banks, specialized brochures for each program and one main brochure that had general information on all the programs. Estimates of those costs would be \$20,000 per year.

Total fiscal impact is unknown until such time as credits/loans are issued.

ASSUMPTION (continued)

**Oversight** assumes this would be accomplished during the normal budgetary process. Therefore, Oversight assumes the initial administrative impact of this proposal is \$0.

<u>FISCAL IMPACT - State Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2006 (10 Mo.)	FY 2007	FY 2008
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This bill adds "eligible facility borrowers" to those entities that may qualify for linked deposit loans. Eligible facility borrowers are any new generation cooperative, formed or incorporated for the purpose of operating a development facility or a renewable fuel production facility, and any new generation processing entity organized or incorporated for the purpose of owning or operating a development facility or a renewable fuel production facility. The State Treasurer is allowed to place a certificate of deposit with an eligible lending institution at up to 3% below the current market interest rate, provided the institution agrees to lend the value of the deposit according to the deposit agreement.

Applicants for reduced rate loans are required to apply to the Agricultural and Small Business Development Authority for qualification as an eligible facility borrower. Upon authority qualification, the qualified lending institution, contingent on the treasurer's linked deposit, will determine if an eligible facility borrower may receive a reduced rate loan. The treasurer will have the final decision on whether to place a linked deposit in an amount equal to the loan

DESCRIPTION (continued)

amount with the lending institution.

No reduced rate loan to an eligible facility borrower will:

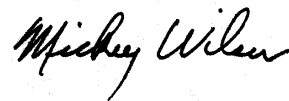
- (1) Exceed \$70 million;
- (2) Exceed 90% of the total anticipated cost of the development or renewable fuel facility or, in the case of refinancing an existing debt, exceed 90% of the fair market value of the facility; and
- (3) Exceed a loan term of five years, except that the loan may be extended up to two additional loan periods of five years each for a maximum total loan term of 15 years. The aggregate eligible facility borrower linked deposits placed by the treasurer will not exceed \$400 million.

The treasurer will not, after January 1, 2020, place any linked deposit for an eligible facility borrower to receive a lower rate loan financing, except that this restriction does not apply to any extensions of existing loans.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Agriculture  
Department of Economic Development  
State Treasurer's Office



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