

FISCAL NOTE
Requested by Legislative Council
12/23/2016

Bill/Resolution No.: HB 1126

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$2,600,000	\$0	\$2,600,000
Expenditures	\$0	\$0	\$(250,458)	\$0	\$(250,458)	\$0
Appropriations	\$0	\$0	\$(250,458)	\$0	\$(250,458)	\$0

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 Biennium
Counties	\$0	\$0	\$0
Cities	\$0	\$0	\$0
School Districts	\$0	\$0	\$0
Townships	\$0	\$0	\$0

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Changes the regulatory scheme for grain warehouses and grain buyers, allowing efficiencies in the licensing, inspection, and insolvency processes. These efficiencies enable the commission to eliminate two FTEs, resulting in cost savings to both the salary and operating line items.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Estimated impact to the salaries line is a reduction of \$189,204, due to elimination of 2 FTEs and allocation of only part of the new Compliance Director's salary. Estimated impact to the operating line is a reduction of \$61,254. Total estimated general fund reduction is \$250,458.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Bill changes how some claims are handled in the event of an insolvency. Rather than paying cash and noncredit sale claims from a trust fund (made up of grain assets and a bond), these will now be partially paid from an indemnity fund as credit sale claims are now paid. The assessment will be reinstated for credit sale contract sales, at a lower rate, and initiated for all other sales, at the same lower rate. The credit sale contract indemnity fund will be renamed the grain indemnity fund, and all assessments will be deposited into this special fund. This will result in revenue to the fund.

The proposed assessment is 2/100ths of 1% of the value of all grain sold via noncredit sale contract, credit sale contract, or for cash. A five year average of all grain sold in 2011 through 2015 was \$6.6 billion. 2/100ths of \$6.6 billion is \$1.3 million. Biennial collections, to be deposited into the grain indemnity fund, are therefore estimated at \$2.6 million. This estimate is dependent on grain values and sales being comparable to the five year average.

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

Estimated \$189,204 reduction in salary expenditures due to elimination of 2 FTEs and allocation of only part of the new Compliance Director's salary. Estimated reduction in associated operating costs of \$61,254. Total estimated general fund expenditure reduction is \$250,458.

We also anticipate the revised insolvency process will result in simplifying the process and making it more efficient. Consequently, we expect corresponding reductions in the staff time required for processing an insolvency case, associated operating costs, and outside counsel costs. However, these expected savings cannot be quantified at this time because we do not know if there will be an insolvency during the noted time periods, nor how complex a potential insolvency may be.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Estimated \$189,204 reduction in salary appropriation due to elimination of 2 FTEs and allocation of only part of the new Compliance Director's salary. Estimated reduction in associated operating appropriation of \$61,254. Total estimated general fund appropriation reduction is \$250,458.

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