

FISCAL NOTE
Requested by Legislative Council
02/08/2019

Amendment to: SB 2346

- 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.*

	2017-2019 Biennium		2019-2021 Biennium		2021-2023 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$6,200,000	\$0	\$6,200,000
Expenditures	\$0	\$0	\$294,281	\$0	\$294,281	\$0
Appropriations	\$0	\$0	\$294,281	\$0	\$294,281	\$0

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

	2017-2019 Biennium	2019-2021 Biennium	2021-2023 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).*

Revises indemnity fund assessments to a lower rate and applies to all transactions, under certain conditions; requires financial statements of license applicants and authorizes the commission to require other financial documents when needed, and provides disclosure protection for those filings.

- 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.*

The current fund assessment is suspended. Under the bill, when assessment is reinstated, it will be for all sales, at a lower rate. The credit sale contract indemnity fund will be renamed, and all assessments will be deposited into this same special fund. This will result in revenue to the fund once it is reinstated.

The bill's specific requirement for financial statements from applicants, the specific authority given the commission to obtain financial documents when necessary, and the specific protection for these documents from open records disclosure permit the commission to conduct more robust financial reviews of licensees at the time of application and at whatever other time needed. To implement this, the commission will request one additional FTE for the program's inspection staff, and associated salary and operating appropriations for that FTE, plus fully funding the existing inspection staff FTE that is currently funded only at the 3/4 level. This will increase expenditures and appropriations for the upcoming biennium and the following biennium.

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.*

The current fund assessment is suspended. Under the bill, when assessment is reinstated, it will be for all sales, at a lower rate. The credit sale contract indemnity fund will be renamed, and all assessments will be deposited into this same special fund. This will result in revenue to the fund once it is reinstated.

There is no way to predict when the assessment will reach the statutory minimum causing the assessments to be reinstated. The fund balance is currently approximately 4,470,000. The revenue numbers provided assume that the

assessment will resume and be applied to all transactions at the beginning of the biennium, but there is really no way to accurately predict when the fund will be reinstated, how much it will be used, or when assessments will be suspended again.

The revised proposed new assessment is 1/20th of 1% of the value of all grain sold. A three year average of all jurisdictional grain sold in North Dakota in 2015 through 2017 was \$6.2 billion. 1/20th of 1% of \$6.2 billion is \$3.1 million. Biennial collections, to be deposited into the indemnity fund, are therefore estimated at \$6.2 million. This estimate is dependent on grain values and sales being comparable to the three-year average. The fiscal note shows the same estimate for each biennium, although this, too, depends on grain values and trade volume.

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.*

The bill's specific requirement for financial statements from applicants, the specific authority given the commission to obtain financial documents when necessary, and the specific protection for these documents from open records disclosure permit the commission to conduct more robust financial reviews of licensees at the time of application and at whatever other time needed. To implement this, the commission will request one additional FTE for the program's inspection staff, and associated salary and operating appropriations for that FTE, plus fully funding the existing inspection staff FTE that is currently funded only at the 3/4 level. This will increase expenditures and appropriations for the upcoming biennium and the following biennium.

Estimated expenditures for a biennium for 1.25 additional inspector FTEs are \$245,281 in salaries and benefits, and \$49,000 in operating funds. This results in a total estimated expenditure impact of \$294,281 for the 2019-2021 biennium. The same number is used for the 2021-2022 biennium, as the only additional expenditures for that biennium would be general salary increases and increases in state travel costs, which are unknown at this time.

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.*

Increase in appropriations will be necessary regarding the expenditures noted in Part B.

The bill's specific requirement for financial statements from applicants, the specific authority given the commission to obtain financial documents when necessary, and the specific protection for these documents from open records disclosure permit the commission to conduct more robust financial reviews of licensees at the time of application and at whatever other time needed. To implement this, the commission will request one additional FTE for the program's inspection staff, and associated salary and operating appropriations for that FTE, plus fully funding the existing inspection staff FTE that is currently funded only at the 3/4 level. This will increase expenditures and appropriations for the upcoming biennium and the following biennium.

Appropriation will be necessary to fund the estimated expenditures for a biennium for 1.25 additional inspector FTEs are \$245,281 in salaries and benefits, and \$49,000 in operating funds. This results in a total estimated expenditure impact of \$294,281 for the 2019-2021 biennium. The same number is used for the 2021-2022 biennium, as the only additional expenditures for that biennium would be general salary increases and increases in state travel costs, which are unknown at this time. Increased appropriation of \$294,281 would be required.

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