

FISCAL NOTE

Requested by Legislative Council

02/12/2001

REVISION

Bill/Resolution No.: SB 2385

Amendment to:

1A. **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.*

1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues					
Expenditures					
Appropriations					

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

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

SB 2015 appropriates \$1,500,000 for the Ag PACE fund and \$6,000,000 for the PACE fund. With the changes contemplated to the program under SB 2385, BND does not anticipate the need for a fiscal note.

As for the Ag PACE fund, it should be noted that of the 15 loans funded during this biennium which could be affected by the proposed change, only three of the loan recipients are utilizing outside help with only one having full-time employees. For qualifying borrowers, the proposed change would affect the total usage of dollars in the Ag PACE interest buydown fund. For example, a Borrower which would qualify for \$10,000 of interest buydown under the existing program, would qualify for an additional \$4,000 with the additional 2% interest buydown as proposed with the necessary wage minimums. The additional interest buydown figure would double to \$8,000 if a Borrower had qualified for the existing program interest buydown maximum of \$20,000. The additional interest buydown proposed will not create usage problems for the Ag PACE fund since the funds have not been used up during the last few bienniums.

As for the PACE fund, all of the interest buydown funds have been used prior to the end of

the biennium with the fund normally running short after 18 months. In review of the current biennium PACE activity, the \$6MM of interest buydown has provided a lower rate on \$61MM in total loans for total job creation of 1,260 new jobs. The average buydown amount per project is \$82,000 based on a 5% interest rate buydown. If the interest rate buydown was increased by another 2% to a total of 7% with the proposed bill change the buydown amount would increase by \$46,000 to \$128,000. If 100% of the PACE applicants created jobs which paid more than the regional average wage, the increase in interest buydown would cost \$2,160,000 which would eliminate 26 available PACE applicants from obtaining PACE funding. If 50% of the PACE applicants created jobs which paid more than the regional average wage, the increase in interest buydown would cost \$1,080,000 which would eliminate 13 available PACE applicants from obtaining PACE funding. The formula is that the additional 2% in interest buydown uses 36% more buydown than a normal 5% buydown and with an average loan using \$82,000 in interest buydown eliminates half of another PACE project from being funded.

It should also be noted that with PACE, the local Community economic development group is responsible for between 15% to 35% of the interest buydown in addition to the interest buydown provided by the State's PACE fund. The local economic development group is making the decision in regards to the type of companies their community wants to attract within an appropriate wage scale range.

One other area to note is that the current PACE program has an interest rate floor after interest buydown of 1% so that the State is not providing interest buydown which would be reducing loan principal.

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.*

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.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

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Agency: Bank of North Dakota
Date 02/02/2001
Prepared: