

FISCAL NOTE

Requested by Legislative Council

01/09/2003

Bill/Resolution No.: HB 1197

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.*

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$3,000,000	\$0	\$3,000,000
Expenditures	\$0	\$0	\$0	\$79,000	\$0	\$79,000
Appropriations	\$0	\$0	\$0		\$0	

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

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

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

This bill proposes to establish an indemnity fund to provide protection to farmers who sell there grain via some form of credit sale contract. The program would be self-funding in that credit-sale transactions would be assessed a 2/10th of 1% fee on the dollar value of the sale. This money would be deposited with the state in an indemnity fund. The fund would be used to pay farmers in case of buyer insolvency and to cover administrative costs incurred by the Public Service Commission.

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.*

Deposits into the indemnity fund would be equal to 2/10th of 1% of the value of all grain sold via credit-sales contracts. It is estimated that approximately 250 million bushels of grain are sold each year via credit-sales. Assuming an average value of \$3 per bushel, annual sales equal \$750 million. 2/10th of 1% of this amount is \$1.5 million. Biennial collections are therefore estimated at \$3 million.

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 Commission estimates that it would require 1/2 FTE and cost approximately \$79,000 per biennium to administer this program. Related tasks would include developing a computer program to record remittance information, receipting and deposit funds, conducting desk compliance audits, investigating potential discrepancies, etc.

Additional costs would be incurred if and when insolvencies occur. Expenditures would be directly related to costs incurred by the Commission in the case and payments eventually made to valid credit-sale claimants.

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.*

This bill provides for a continuing appropriation to the Public Service Commission to administer this program and related payments to farmers in insolvency proceedings.

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Agency: Public Service Commission
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