Ohio Legislative Service Commission

Bill Analysis

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S.B. 281

129th General Assembly
(As Introduced)

Sens. Beagle, Lehner, Cafaro, Hite, Seitz, Jones, Skindell, Widener, LaRose, Schaffer, Manning, Oelslager

BILL SUMMARY

- Increases the amount of money that the Treasurer of State must attempt to place in agricultural linked deposits.
- Increases the maximum amount of a loan made to an eligible agricultural business under the Agricultural Linked Deposit Program.
- Modifies the method by which the lending rate is calculated for loans made to eligible agricultural businesses under the Program.

CONTENT AND OPERATION

Amount deposited by the Treasurer of State in agricultural linked deposits

The bill increases the amount of money the Treasurer of State must attempt to place in agricultural linked deposits from $125 million to $165 million.

Maximum loan amount

The bill states that a loan made to an eligible agricultural business under the Agricultural Linked Deposit Program cannot exceed $150,000 instead of $100,000 as in current law.[1]

[1] R.C. 135.73.

Lending rate

The bill specifies that an eligible lending institution that enters into an agricultural linked deposit agreement with the Treasurer of State must agree to lend the value of the agricultural linked deposit to eligible agricultural businesses at a rate equal to the present borrowing rate applicable to each specific agricultural business in the accepted loan package minus the difference between the market rate and the actual rate at which the certificates of deposit that constitute the agricultural linked deposit were placed or at which the investments in bonds, notes, debentures, or other obligations or securities that constitute the agricultural linked deposit were made. The following formula represents that calculation:

$$\text{Lending Rate for the Agricultural Business} = \text{Present Borrowing Rate for the Agricultural Business} - \begin{array}{c}(\text{Market Rate of CD} - \text{Actual Rate of CD}) \\ \textbf{OR} \\ (\text{Market Rate of Obligations} - \\ \text{Actual Rate of Obligations})\end{array}$$

Under current law, the lending rate given to eligible agricultural businesses is a rate that reflects a percentage rate reduction below the present borrowing rate applicable to each specific agricultural business in the accepted loan package that is equal to the percentage rate reduction below market rates at which the certificates of deposit that constitute the agricultural linked deposit were placed or at which the investments in bonds, notes, debentures, or other obligations or securities that constitute the agricultural linked deposit were made.[2]

Background – linked deposit programs

Under the state's linked deposit programs, the Treasurer of State places state money with an eligible lending institution at a rate below current market rates. Under most of the programs, the institution agrees to lend the value of the deposited money to eligible program participants at a rate below current market borrowing rates as determined under the specific program. The Treasurer's investment in all of the state's linked deposit programs cannot exceed 12% of the state's total average investment portfolio.[3]

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[2] R.C. 135.74(C) and 135.75(A).

[3] R.C. 135.63 (not in the bill).

In the case of the Agricultural Linked Deposit Program, the institution lends to eligible agricultural businesses. An eligible agricultural business is a person engaged in agriculture that is headquartered and domiciled in Ohio, maintains land or facilities for agricultural purposes in Ohio that comprise not less than 51% of the total of all lands or facilities maintained by the person, and is organized for profit.[4]

HISTORY

ACTION	DATE
Introduced	01-12-12

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[4] R.C. 135.71(A) (not in the bill).