Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: Am. H.B. 415 of the 129th G.A.

Date: February 21, 2012

Status: As Reported by House Agriculture & Natural Resources

Sponsors: Reps. Sprague and Hill

Local Impact Statement Procedure Required: No

Contents: To modify the Agricultural Linked Deposit Program with respect to the maximum amount the Treasurer of State may invest in agricultural linked deposits, the interest rate at which loans are made under the program, and the maximum loan amount

State Fiscal Highlights

- Potential minimal loss of investment earnings to the GRF.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

The bill increases the maximum amount that the Treasurer of State may invest in the Agricultural Linked Deposit Program (AgriLink) from $125 million to $165 million. Under the AgriLink Program, an eligible lending institution enters into a deposit agreement with the Treasurer's Office and receives a linked deposit in the form of a certificate of deposit. Subsequently, the eligible lending institution must agree to lend the value of such deposit to eligible farmers at a reduced interest rate.

The bill also increases the maximum amount of a loan made to an eligible applicant under the AgriLink Program from $100,000 to $150,000. The bill revises the interest rate at which loans are made under the AgriLink Program. Under the bill, an eligible lending institution 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 or other obligations or securities that constitute the agricultural linked deposit were made.

Currently, the Treasurer's Office operates five linked deposit programs – Short-term Installment Loan Linked Deposits, Housing Linked Deposits, Assistive Technology Device Linked Deposits, SaveNOW Linked Deposits, and GrowNOW Linked Deposits – in addition to AgriLink. Under existing law, the Treasurer of State is allowed to invest in a linked deposit program only if, at the time of placement of any linked deposit to an eligible lending institution, the total amount of investments across all linked deposit programs is not more than 12% of the state's total average investment portfolio.

Generally, the bill allows the Treasurer to invest a larger amount of state funds in the AgriLink Program, but it does not change the current limitation on the total percentage of state funds that may be invested in specified linked deposit programs. Thus, the bill could affect the allocation of funds between the six linked deposit programs, but not the overall amount of state funds that are earning below-market interest rates. The size of the discount, compared to market rates, on earnings from state funds invested may differ somewhat between the six linked deposit programs. Data for September 2011 on the six programs show a yield to the state of 0.04% on funds invested through AgriLink, and slightly higher average yields across the other five programs. Thus, there could be a potential minimal decrease in earnings on investment of state funds.

The bill has no direct fiscal impact on local governments.