FISCAL NOTE

Bill #: HB0490

Title: Intermediary relending program

Primary Sponsor: William Price

Status: As Introduced

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Sponsor signature Date

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Chuck Swysgood, Budget Director Date

Fiscal Summary

	FY2002 Difference	FY2003 Difference
Expenditures:		
Revenue:		
General Fund	($52,500)	($105,000)
Net Impact on General Fund Balance:	**($52,500)**	**($105,000)**

Yes	No		Yes	No	
	X	Significant Local Gov. Impact		X	Technical Concerns
	X	Included in the Executive Budget		X	Significant Long-Term Impacts
	X	Dedicated Revenue Form Attached		X	Family Impact Form Attached

Fiscal Analysis

ASSUMPTIONS:

Department of Commerce:

1. HB 490 creates an intermediary relending program within the Board of Investments which may provide loans from local economic development organizations revolving loan programs.
2. Loans will be funded from the permanent coal tax trust with a maximum allocation of $5 million and individual loans may not exceed $500,000.
3. Borrowers are local economic development organizations approved by the Board of Investments.

4. Funds loaned to local economic development organizations must be used as matching funds for the United States Department of Agriculture intermediary relending program.
5. Loans to local economic development organizations bear interest at 2% per annum with terms of 30 years and interest only payments for the first 3 years of the 30-year term.
6. The board may also purchase a portion of a seasoned or mature loan from these local economic development organizations. There will be no fiscal impact due to the purchase of seasoned loans.
7. Investment income generated on the permanent fund is currently deposited in the state general fund.
8. Permanent fund monies used to fund Intermediary Relending Program loans are currently invested in the trust funds bond pool at an annual yield of 7.25%.
9. State general fund investment income revenue loss will occur when monies currently invested at 7.25% are invested at 2%.
10. Approximately $1 million will be loaned during FY 2002 and an additional $1 million loaned during FY 2003.
11. There will be no additional operating costs for the Board of Investments.

FISCAL IMPACT:

	FY2002 Difference	FY2003 Difference
Revenues:		
State Special Revenue (02)	($52,500)	($105,000)
Net Impact to Fund Balance (Revenue minus Expenditure):		
General Fund (01)	($52,500)	($105,000)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:
Local government tax revenues could increase if these loans result in the creation of jobs.

LONG-RANGE IMPACTS:
The state general fund will incur a long-term loss of investment income revenue. Assuming the entire $5 million is loaned, state general fund investment income will be reduced approximately $262,500 per year going forward. This number is calculated by using the current yield of 7.25% on these monies invested in the trust funds bond pool compared to the 2% rate authorized in this legislation.

To the extent that these loans create new business and jobs, the property, income, and corporate tax revenues to the general fund could increase.