

FISCAL NOTE

Bill #: SB0279

Title: Revise law on state investment in business

Primary Sponsor: Walter McNutt

Status: As Introduced

Sponsor signature Date

Chuck Swysgood, Budget Director Date

Fiscal Summary

	<u>FY2002</u> <u>Difference</u>	<u>FY2003</u> <u>Difference</u>
Expenditures:	0	0
Revenue:	0	0
Net Impact on General Fund Balance:	\$0	\$0

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
	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. SB 279 amends the Value-Added Loan Program enacted by the May 2000 Special Legislative Session in the Board of Investments. Loans in this program are funded from the Permanent Coal Tax Trust Fund and loan interest is deposited in the state general fund.

2. Financial institutions will continue to originate all loans funded under this program. The Board of Investments may purchase 75% of the loan while the financial institution retains 25%. Current law authorizes the Board of Investments to make loans through financial institutions to value-added type business at 2% interest for the first 5 years of a 15-year term if the business creates at least 15 new jobs. SB 279 authorizes the Board to also make loans through financial institutions to value-added type business at 4% interest for the first 5 years of a 15-year term if the business creates at least 10 new jobs.
3. SB 279 changes interest rates for the final 5-year term of the loan from a “prime” rate to the Board of Investments posted rate used for other loan programs funded from the Trust. The “number of jobs” threshold required for eligibility for the Value-Added Loan Program is quantified to represent a calculated dollar threshold for eligibility.
4. This loan program is too new to calculate any state general fund revenue loss under current law.
5. Under current law, to the extent that loans are made at 2%, rather than the Board’s current posted loan rate of 7.5% (as of January 19, 2001), state general fund investment income will be reduced.
6. SB 279 could reduce investment income further because it reduces the eligibility threshold from 15 jobs to 10 jobs and consequently could result in higher program utilization. However the interest rate for the creation of 10 jobs is 4%, rather than the 2% authorized under current law for businesses creating 15 jobs.
7. To the extent that this loan program increases employment in the state, additional general fund revenue may be generated by corporate and personal income taxes from the businesses receiving these low interest rate loans. Property tax revenue may also increase if the businesses receiving these loans construct or lease real property.
8. There is no fiscal impact to either the Board of Investments or the Department of Commerce.

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

1. SB 279 could increase property tax collections by increasing taxable valuations.

LONG-RANGE IMPACTS:

1. SB 279 could facilitate the creation of new jobs in the state.