



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2009 Biennium

<b>Bill #</b>	HB0183
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<b>Title:</b>	Agriculture revolving loan program for biodiesel facilities
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<b>Primary Sponsor:</b>	Jopek, Mike
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<b>Status:</b>	As Introduced
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|---|--|---|
| <input type="checkbox"/> Significant Local Gov Impact     | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns              |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts           | <input checked="" type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2008</u> <u>Difference</u>	<u>FY 2009</u> <u>Difference</u>	<u>FY 2010</u> <u>Difference</u>	<u>FY 2011</u> <u>Difference</u>
<b>Expenditures:</b>				
General Fund	\$500,000	\$0	\$0	\$0
State Special Revenue	\$500,000	\$107,515	\$123,159	\$144,785
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$512,808	\$107,515	\$123,159	\$144,785
<b>Net Impact-General Fund Balance</b>	<b>(\$500,000)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**Description of fiscal Impact:** The Montana Department of Agriculture will administer a biodiesel facility loan program. A loan account will be established within the department with a \$500,000 transfer from the general fund. The department will establish loan criteria to assist producers in the financing of all or a portion of the cost of development of biodiesel facilities in Montana and shall offer loans of not more than \$50,000 each.

### FISCAL ANALYSIS

#### Assumptions:

#### **Department of Agriculture**

- Section 1(1) establishes revolving loan account to be administered by the Department of Agriculture for biodiesel facility loans and shall offer up to 10 revolving loans of not more than \$50,000 each.

2. Section 1(8) directs that any interest or income earned and loan repayments be deposited in the account.
3. Section 2 transfers \$500,000 from the general fund to the account and assumes the transfer will be made by the Department of Revenue.
4. It is assumed that additional loans may be made from the state special revenue account upon receipt of qualified applications and the availability of adequate funds.
5. Administrative costs associated with the biodiesel facility loan program will be paid from the newly established fund.
6. The program will be administered by a half-time (0.50 FTE) business development specialist with costs estimated at \$28,164/yr.
7. Start-up costs for a new employee office (\$1,375) and personal laptop computer (\$2,200) total \$3,575 in FY 2008.
8. The department will contract for technical design expertise of facilities with an engineer specializing in biodiesel production. The existing contract rate is \$80 to \$100 per hour. Each review is estimated to take at least 8 hours @ \$90/hr = \$720/loan. It is estimated that the contractor will review 10 applications (\$7,200) in FY 2008 and FY 2009 and 2 applications (\$1,440) each year in FY 2010 and FY 2011.
9. Operating expenses for printing costs associated with program brochures, travel for onsite loan visits, communications, and office supplies are estimated at \$5,070/year.
10. The remainder of funds available in the first year, approximately \$455,991, will be loaned out for qualifying loans.
11. An inflation factor of 2.5% was used for FY 2010 and FY 2011.
12. Section 1(5) requires the loans to bear interest at less than the market rate. The current market rate is estimated at 8.25%. The department will develop procedures which establish five year loans with repayment starting in one year and an estimated interest rate of 5.75%.
13. It is assumed that interest earned on the account and principal and interest payments on loan balances will generate sufficient revenue to fund the administrative costs of the program.
14. The operating expenses shown for FY 2009 – FY 2011 reflect additional loans paid out as the principal of previous loans as recycled.

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<b><u>Fiscal Impact:</u></b>				
FTE	0.50	0.50	0.50	0.50
<b>Agr</b>				
<b><u>Expenditures:</u></b>				
Personal Services	\$28,164	\$28,164	\$28,868	\$29,590
Operating Expenses	\$471,836	\$79,351	\$94,291	\$115,195
<b>TOTAL Expenditures</b>	<b>\$500,000</b>	<b>\$107,515</b>	<b>\$123,159</b>	<b>\$144,785</b>
<b><u>Funding of Expenditures:</u></b>				
State Special Revenue (02)	\$500,000	\$107,515	\$123,159	\$144,785
<b><u>Revenues:</u></b>				
State Special Revenue (02)	\$512,808	\$107,515	\$123,159	\$144,785
<b>DOR</b>				
<b><u>Expenditures:</u></b>				
Transfers	\$500,000	\$0	\$0	\$0
<b>TOTAL Expenditures</b>	<b>\$500,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$500,000	\$0	\$0	\$0
<b><u>Revenues:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	(\$500,000)	\$0	\$0	\$0
State Special Revenue (02)	\$12,808	\$0	\$0	\$0

**Technical Notes:**

1. The bill does not specify which agency will make the general fund transfer.
2. The accounting definition of a revolving loan is a loan which renews upon maturity. Clarification is necessary definition of revolving loan program.
3. For purposes of this fiscal note, the loan account is assumed to be a state special revenue fund. However, the bill needs to specify which fund type the loan account is to be.
4. The bill needs clarification on the “up to 10 revolving loans of not more than \$50,000 each”. For purposes of this fiscal note, it is assumed the bill intended to provide as many loans of up to \$50,000 each as funds are available.
5. Section 1(7) requires the biodiesel facility loan is secured by a first lien. If the bill is left with the loan at only first position, there is a risk that applicants could be turned down because the “first lien” position is unable to be secured. The department suggests changing page 2, line 16 “declaration. A biodiesel facility loan when and where possible is secured by a first lien on all funds and all receivables administered under

the authority of the department by the recipient of the loan. In the event the first position is not available, lien position will be secured behind the primary lending institution(s).”

6. The bill does not indicate if this is to be appropriated in HB 2 or if a statutory appropriation is to be established. If it is intended to be a statutory appropriation, it must be made in accordance with 17-7-502, MCA.

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*Sponsor's Initials*

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*Date*

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*Budget Director's Initials*

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*Date*