EXHIBIT 4
DATE 3/27/09
HB 669

GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

Bill #	HB0669	**Title:**	Establish wood product industry loan program
Primary Sponsor:	Vincent, Chas	**Status:**	As Introduced

- ☐ Significant Local Gov Impact
- ☐ Needs to be included in HB 2
- ☑ Technical Concerns
- ☐ Included in the Executive Budget
- ☐ Significant Long-Term Impacts
- ☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

	FY 2010 Difference	FY 2011 Difference	FY 2012 Difference	FY 2013 Difference
Expenditures:				
General Fund	$7,500,000	$0	$0	$0
State Special Revenue	$7,308,261	$191,738	$196,531	$201,445
Revenue:				
General Fund	$0	$0	$0	$0
State Special Revenue	$7,713,343	$284,457	$284,457	$284,457
Net Impact-General Fund Balance:	($7,500,000)	$0	$0	$0

Description of fiscal impact: This bill creates a distressed wood products industry revolving loan program in the Department of Commerce with funding primarily provided for in HB 645. HB 669 is contingent upon passage and approval of HB 645 and the funding contained therein; at the current time HB 645 contains funding in the amount of $7.50 million for the program envisioned in the bill.

FISCAL ANALYSIS

Assumptions:

Department of Commerce (DOC):

1. The bill creates a revolving loan program in the Department of Commerce to address the distressed wood products industry.
2. To implement the provisions contained in the bill, the Department of Commerce would require 2.00 FTE at an estimated cost of $136,743 in FY 2010 and $138,223 in FY 2011. Associated operating costs are estimated to be $60,090 in FY 2010 and $53,515 in FY 2011. FY 2012 and FY 2013 administrative costs including personal services are inflated by 2.50%.
3. For the purposes of this fiscal note, the department estimates that $7.11 million will be loaned out by September 30, 2009 at an average interest rate of 4% at varying terms not to exceed 15 years. There may be

some periods involving deferrals of interest, which is calculated into the 4% estimated and it is further assumed that interest only, not principal, would be collected in the time periods proposed in this fiscal note.

	FY 2010 Difference	FY 2011 Difference	FY 2012 Difference	FY 2013 Difference
Fiscal Impact:				
FTE	2.00	2.00	2.00	2.00
Expenditures:				
Personal Services	$136,743	$138,223	$141,679	$145,221
Operating Expenses	$60,090	$53,515	$54,853	$56,224
Operating Expenses (LOANS	$7,111,428	$0	$0	$0
Transfers	$7,500,000	$0	$0	$0
TOTAL Expenditures	$14,808,261	$191,738	$196,531	$201,445
Funding of Expenditures:				
General Fund (01)	$7,500,000	$0	$0	$0
State Special Revenue (02)	$7,308,261	$191,738	$196,531	$201,445
TOTAL Funding of Exp.	$14,808,261	$191,738	$196,531	$201,445
Revenues:				
General Fund (01)	$0	$0	$0	$0
State Special Revenue (02)	$7,713,343	$284,457	$284,457	$284,457
TOTAL Revenues	$7,713,343	$284,457	$284,457	$284,457
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	($7,500,000)	$0	$0	$0
State Special Revenue (02)	$405,082	$92,719	$87,926	$83,012

Technical Notes:

1. Section 1. (4)(a)(ii) refers to federal 13 CFR121 for the definition of small businesses by the Small Business Administration limiting those eligible for program funding. The Small Business Administration uses a variety of sales limits and job limits depending on the business activity under the North American Industry Classification System Codes (NAICS). This may have an effect of making some companies that are the target of the program ineligible and some industries that may have been considered ineligible may be eligible for funding under the program. Until specific applicants submit business plans it is not possible to determine how this requirement will affect their eligibility. For example:

   NAICS 111421 - Nursery and Tree Production - maximum sales for eligibility is $750,000
   NAICS 113110 - Timber Tract Operations - maximum sales $7 million
   NAICS 113210 - Forest Nurseries and Gathering of Forest Products - $7 million in sales maximum
   NAICS115310 - Support Activities for Forestry - maximum sales for eligibility is $7 million
   NAICS 322110 - Pulp Mills - maximum employment 750 jobs
   NAICS 322121, 322130 - Paper Mills and Paperboard Mills - maximum 750 jobs

2. The Department of Commerce has applied to the U.S. Department of Commerce, Economic Development Administration for $2.7 million in federal funds to add to the distressed wood products revolving loan program and there are early indications that the EDA funding will be awarded for this purpose. There is no provision in HB 669 providing the department the ability to segregate the required $2.7 million in

matching funds from the amount appropriated in HB 645 for the federal award from the remaining funding proposed in this bill. As a result, the department would either have to turn down the EDA grant if awarded or include the EDA funding with all of its federal requirements into the state distressed wood products revolving loan fund. There is the potential for a number of conflicting requirements between the state revolving loan fund program described in HB 669 and the federal EDA revolving loan fund program, if received and accepted.

3. A loan loss ratio of 5% would require the Department of Commerce to take minimal risks in making loans and limit the loans made to highly feasible wood products companies and not distressed companies needing assistance not otherwise available from private sector sources.

Sponsor's Initials	*Date*	*Budget Director's Initials*	3/25/09 *Date*