



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2015 Biennium

Bill #	SB0349	Title:	Create grain assessment and contract reimbursement account
Primary Sponsor:	Moore, Frederick (Eric)	Status:	As Introduced

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2014 Difference</u>	<u>FY 2015 Difference</u>	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$953,637	\$950,649	\$952,101	\$953,594
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$2,690,477	\$2,690,477	\$2,730,834	\$2,771,797
Net Impact-General Fund Balance:	\$0	\$0	\$0	\$0

Description of fiscal impact: SB 349 applies a 0.2% assessment on the purchase of all grain grown in Montana to establish three indemnity accounts specific to different commodities and statutorily appropriates the funds for this purpose. The indemnity accounts would be used to reimburse unsatisfied contracts for grain, for increased program activity, and for administrative costs related to managing the accounts.

FISCAL ANALYSIS

Assumptions:

- The Department of Agriculture estimates annual sales amounts of the following commodities, resulting in revenue allocated to the three different indemnity accounts:

	Purchase Price	0.2% Assessment
Grains	\$1.25 billion	\$2,500,000
Pulse Crops	\$83.3 million	\$166,667
Oil Seeds	\$11.9 million	\$23,810
Total	\$1.345 billion	\$2,690,477

- Annual revenue from the assessments would remain at this level until the caps in new Section 2 are met.

3. The fund balance would remain in the indemnity account to be available for reimbursements in the event of a contract failure.
4. New Section 4 authorizes the department to pay for expenses of implementing the provisions in SB 349 from the three indemnity accounts and provides a statutory appropriation.
5. The department would add 1.00 FTE compliance specialist for auditing all commodity dealers and warehouses annually to ensure compliance with the assessment at a cost of \$60,107 in FY 2014 and \$60,019 in FY 2015. An inflationary factor of 1.5% has been added in FY 2016 and FY 2017.
6. Ongoing operating expenses for the compliance specialist would include general office supplies, travel to the 150 warehouses for the audits, and fixed costs of \$25,708. An inflationary factor of 1.5% has been added in FY 2016 and FY 2017.
7. The established indirect rate for Central Services Division activity is 20.5% of personal services, or \$12,322 in FY 2014 and \$12,304 in FY 2015 and will pay for operating expenses of the division.
8. FY 2014 operating expenses include one-time-only costs of \$2,900 for a new employee office package and a new laptop.
9. New section 3 (4) identifies maximum single reimbursement to the seller in the event of a contract failure as 80% of a contract or \$280,000, whichever is less. For purposes of this fiscal note, it is assumed there would be \$280,000 of claims in each of three funds for a total of \$840,000.
10. The established indirect rate for Central Services Division activity is 1.5% of benefits paid, or \$12,600 per year and will pay for operating expenses of the division.
11. Authority for direct expenses of the department for liquidation activity, in the event of a contract failure, cannot be determined and would be requested through a statutory budget amendment as needed.
12. 17-1-508, MCA requires analysis of the statutory appropriation relative to the guidance in 17-1-508(2), MCA, to be published in the fiscal note. In reviewing and establishing statutory appropriations, the legislature shall consider the following guidelines.

	<u>YES</u>	<u>NO</u>
a. The fund or use requires an appropriation.	X	
b. The money is not from a continuing, reliable, and estimable source.		X
c. The use of the appropriation or the expenditure occurrence is not predictable and reliable.	X	
d. The authority does not exist elsewhere.	X	
e. An alternative appropriation method is not available, practical, or effective.	X	
f. Other than for emergency purposes, it does not appropriate money from the state general fund.	X	
g. The money is dedicated for a specific use.	X	
h. The legislature wishes the activity to be funded on a continual basis.	X	
i. When feasible, an expenditure cap and sunset date are included.	X	

	<u>FY 2014 Difference</u>	<u>FY 2015 Difference</u>	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>
<u>Fiscal Impact:</u>				
FTE	1.00	1.00	1.00	1.00
<u>Expenditures:</u>				
Personal Services	\$60,107	\$60,019	\$60,919	\$61,833
Operating Expenses	\$53,530	\$50,630	\$51,182	\$51,761
Benefits	\$840,000	\$840,000	\$840,000	\$840,000
TOTAL Expenditures	<u><u>\$953,637</u></u>	<u><u>\$950,649</u></u>	<u><u>\$952,101</u></u>	<u><u>\$953,594</u></u>
<u>Funding of Expenditures:</u>				
State Special Revenue (02)	<u>\$953,637</u>	<u>\$950,649</u>	<u>\$952,101</u>	<u>\$953,594</u>
TOTAL Funding of Exp.	<u><u>\$953,637</u></u>	<u><u>\$950,649</u></u>	<u><u>\$952,101</u></u>	<u><u>\$953,594</u></u>
<u>Revenues:</u>				
State Special Revenue (02)	<u>\$2,690,477</u>	<u>\$2,690,477</u>	<u>\$2,730,834</u>	<u>\$2,771,797</u>
TOTAL Revenues	<u><u>\$2,690,477</u></u>	<u><u>\$2,690,477</u></u>	<u><u>\$2,730,834</u></u>	<u><u>\$2,771,797</u></u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
State Special Revenue (02)	\$1,736,840	\$1,739,828	\$1,778,733	\$1,818,203

Sponsor's Initials

Date

Budget Director's Initials

Date