

Updated to reflect all amendments adopted to date.

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2010-11		FY 2011-12	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	27,200	(28,700)	32,900	(57,400)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	27,200	(28,700)	32,900	(57,400)

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 297 is the Nebraska Beginning Farmer and Small Business Linked Deposit Loan Act.

Section 4 authorizes the State Treasurer to administer a linked deposit loan program for the purpose of providing incentives for making loans form linked deposits to eligible beginning farmers and small businesses.

The Treasurer's Office estimates the need for a half-time FTE, related benefits, and advertising costs of \$30,000 over two years to implement the bill's provisions. With the amendment providing an operative date of January 1, 2011, the annualized salary and benefit costs can be reduced by 50% for fiscal year 2010-11. Additionally, it is likely that the operating costs could be reduced slightly. The original bill proposed twenty million dollars in linked loans. The amended bill proposes two million dollars in linked loans for the first two years. The loan cap increases by two million every other year. With a reduced pool of funding it is likely that lower operational costs will be realized. For this reason, the operating costs identified in the table above have been reduced to \$15,000 in fiscal year 2010-11 and \$7,500 in fiscal year 2011-12. If this reduced amount is insufficient, the Treasurer's Office will be able to address higher need through the budget process.

The Nebraska Investment Council estimates potential General Fund revenue loss associated with the bills provisions. This is based on the assumption that General Funds will be utilized by the Investment Officer under section 9 (2). This section states: "The state investment officer shall place a linked deposit in the amount certified by the State Treasurer with the eligible lending institutions at an interest rate which is two percent below the interest rate provided in section 45-103." Under the Investment Officer's assumption, the General Fund will not receive an annualized amount of \$57,400 in interest for fiscal years 2010-11 and 2011-12. This represents the difference between the interest received under the bill's provisions and the interest that would otherwise be received in the Operating Investment Pool (OIP). This estimate appears to be reasonable. In future years, the loan cap increases. This results in a greater General Fund revenue loss. Since future interest rates are unknown, it is assumed that future years' rates will be the same as current rates. The table below illustrates the General Fund revenue losses assuming unchanged interest rates:

Fiscal Year	Loan Cap	General Fund Revenue Loss (est.)
2010-11	\$2 million	(28,700)
2011-12	\$2 million	(57,400)
2012-13	\$4 million	(114,800)
2013-14	\$4 million	(114,800)
2014-15	\$6 million	(172,200)
2015-16	\$6 million	(172,200)
2016-17	\$8 million	(229,600)
2017-18	\$8 million	(229,600)
2018-19	\$10 million	(287,000)
2019-20	\$10 million	(287,000)

DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Lyn Heaton	DATE	1/26/10	PHONE	471-2526
COMMENTS					
NEBRASKA INVESTMENT COUNCIL: Since the bill as amended has an operative date of January 1, 1011, it is anticipated that the FY 2010-11 revenue loss would be about half of the amount estimated.					
STATE TREASURER: Based on the stated assumptions, the estimate appears reasonable.					