



# Ohio Legislative Service Commission

## Bill Analysis

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### **S.B. 250\***

128th General Assembly

(As Reported by S. Finance & Financial Institutions)

**Sens.** Gillmor and Wilson, Buehrer, Cafaro, Carey, Faber, Gibbs, Seitz, Strahorn, Turner

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## **BILL SUMMARY**

- Increases the maximum amount the Treasurer of State may invest in agricultural linked deposits.
- Clarifies the interest rate at which loans are made to eligible agricultural businesses under the Agricultural Linked Deposit Loan Program.
- Increases the maximum amount of an agricultural linked deposit loan.

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## **CONTENT AND OPERATION**

### **Agricultural Linked Deposit Loan Program**

(R.C. 135.631, 135.73, 135.74, and 135.75; 135.71 (not in the bill))

The General Assembly created the Agricultural Linked Deposit Loan Program after finding that there was an inadequate supply of agricultural credit and loan financing at affordable rates in Ohio. The Program seeks to provide a greater supply of lower-cost loans for agricultural businesses. Under current law, the Treasurer of State is authorized to place state funds in agricultural linked deposits. To create an agricultural linked deposit, the Treasurer places a certificate of deposit or makes other investments, such as in bonds, with an eligible lending institution and accepts an interest rate below current market interest rates. The lending institution with whom the Treasurer invests then lends money to an eligible agricultural business at a reduced interest rate. An

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\* This analysis was prepared before the report of the Senate Finance and Financial Institutions Committee appeared in the Senate Journal. Note that the list of co-sponsors and the legislative history may be incomplete.

"eligible agricultural business" means any person engaged in agriculture who is headquartered and domiciled in Ohio, maintains land or facilities for agricultural purposes of which at least 51% are within Ohio, and is organized for profit.

Current law requires the Treasurer of State to attempt to place up to \$125 million of the amount authorized to be invested in linked deposits in agricultural linked deposits.<sup>1</sup> The bill increases the maximum amount the Treasurer must attempt to place to \$200 million.

Current law also provides that the interest rate on a linked deposit loan to an eligible agricultural business from an eligible lending institution must reflect a percentage rate reduction below the present borrowing rate applicable to that specific agricultural business that is equal to the percentage rate reduction below market rates at which the certificates of deposit were placed or other investments that constitute the agricultural linked deposit were made.<sup>2</sup> The bill clarifies that the percentage rate reduction given to the agricultural business must be "proportional" to the percentage rate reduction given to the Treasurer, rather than "equal."

Lastly, the bill increases the maximum amount of an agricultural linked deposit loan. Currently, a loan cannot exceed \$100,000. Under the bill, a loan cannot exceed \$150,000.

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## HISTORY

| ACTION  | DATE     |
|---|----------|
| Introduced                                    | 04-22-10 |
| Reported, S. Finance & Financial Institutions | ---      |

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<sup>1</sup> The Treasurer of State may not invest more than 12% of the state's total average investment portfolio in the various linked deposit programs (R.C. 135.63, not in the bill).

<sup>2</sup> The bill eliminates duplicative language regarding the required interest rate for individual loans from R.C. 135.75.

