



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: [S.B. 250 of the 128th G.A.](#)

Date: May 28, 2010

Status: As Passed by the Senate

Sponsors: Sens. Gillmor and Wilson

Local Impact Statement Procedure Required: No — No local cost

Contents: To modify the Agricultural Linked Deposit Program with respect to the maximum amount the Treasurer of State may invest in agricultural linked deposits, the interest rate at which loans are made under the Program, and the maximum loan amount.

State Fiscal Highlights

- Potential minimal loss of investment earnings to the GRF.

Local Fiscal Highlights

- No direct fiscal effect on local governments.

Detailed Fiscal Analysis

The bill increases the maximum amount of state funds that the Treasurer of State may invest in the Agricultural Linked Deposit Program (AgriLink) from \$125 million to \$200 million. Under the AgriLink Program, an eligible lending institution enters into a deposit agreement with the Treasurer's Office and receives a linked deposit in the form of a certificate of deposit. The eligible lending institution must agree subsequently to lend the value of such deposit to eligible farmers at a reduced interest rate. The bill also increases the maximum amount of such loan from \$100,000 to \$150,000 per qualified borrower. The bill modifies the interest rate on loans under the AgriLink Program to a rate that is "proportional" to the percentage rate reduction below market rates. Currently, the rate must "equal" the percentage rate reduction below market rates.

Currently, the Treasurer's Office operates five linked deposit programs in addition to AgriLink. Under current law, the Treasurer may invest up to 12% of the state's total average investment portfolio in all linked deposit programs – Short-term Installment Loan Linked Deposits, AgriLink, Housing Linked Deposits, Assistive Technology Device Linked Deposits, SaveNOW Linked Deposits, and GrowNOW Linked Deposits. In general, the bill allows the Treasurer to invest a larger amount of state funds in the AgriLink Program, but it does not change the 12% global cap on the amount of state funds that may be invested in all linked deposit programs. Thus, the bill would affect the allocation of funds between the six linked deposit programs, but not the overall amount of state funds that are earning below-market interest rates.

The size of the discount, compared to market rates, on earnings from state funds invested may differ somewhat between the six linked deposit programs. Data for February 2010 on the six programs show a yield to the state of 0.02% on funds invested through AgriLink, and slightly higher average yields across the other five programs. Thus, there could be a potential minimal decrease in earnings on investment of state funds.

The bill has no direct fiscal impact on local governments.