

SF2218 - 0 - Grain Indemnity Account

Chief Author: **Rob Kupec**
 Committee: **Agriculture and Rural Development**
 Date Completed: **3/1/2023 12:11:48 PM**
 Agency: **Agriculture Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	15,000	-	-	-	-
Agriculture Fund	-	(15,000)	1,350	1,363	(123)	
Total	-	-	1,350	1,363	(123)	
Biennial Total			1,350		1,240	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	-
Agriculture Fund	-	-	.1	.1	-
Total	-	-	.1	.1	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Chloe Burns **Date:** 3/1/2023 12:11:48 PM
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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	15,000	-	-	-	-
Agriculture Fund	-	(15,000)	1,350	1,363	(123)	
Total	-	-	1,350	1,363	(123)	
Biennial Total			1,350		1,240	
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund						
Expenditures	-	-	-	-	-	-
Transfers Out	-	15,000	-	-	-	-
Agriculture Fund						
Expenditures	-	-	1,510	1,510	-	-
Absorbed Costs	-	-	(10)	(10)	-	-
Total	-	15,000	1,500	1,500	-	-
Biennial Total			16,500		1,500	
2 - Revenues, Transfers In*						
General Fund						
Revenues	-	-	150	137	123	
Transfers In	-	15,000	-	-	-	
Total	-	15,000	150	137	123	
Biennial Total			15,150		260	

Bill Description

Establishing the grain indemnity account; appropriating money.

Assumptions

The indemnity account will be a separate account from the fund from which the grain program currently operates. The program assumes a claim or elevator closure will occur every 18 months and will be an average of \$1,500,000. The cost for Minnesota Department of Agriculture (MDA) staffing to investigate and issue payments (\$7,500 for 0.1 FTE State Program Administrator) and \$2,500 for Attorney General fees to represent the MDA in any legal proceeding related to the claims process. The sum of these will be approximately \$10,000, which will be absorbed by MDA.

It is expected that the fund will accumulate interest at roughly 1% annually, that interest will be included in revenue calculations. Interest will be deposited into the grain indemnity account. Revenue from producer premiums will not be collected until the fund falls below \$9,000,000 which is not expected to occur until after FY27.

Expenditure and/or Revenue Formula

\$15,000,000 is appropriated in FY24, maintenance for the fund will be minimal until the first claim. The MDA expects claims to be received at a rate of \$1,500,000 every 18 months. Administrative expenses including investigation and payment issuance is estimated at \$7,500 for 0.1 FTE (State Program Administrator) and \$2,500 for Attorney General Fees to represent the MDA in legal proceedings related to the claims, which will be roughly \$10,000 for each \$1,500,000 in claims. Estimated total expenditures will be \$1,510,000 in both FY25 and FY26.

Revenue is not expected to be collected into the fund through premiums in the first 5 years of enactment. The only revenue will be generated through interest which is calculated to be accrued at 1% annually.

In Thousands	2024	2025	2026	2027
Interest (1%)	-	150.00	136.50	122.87
Previous fund balance+ Interest	-	15,150.00	13,786.50	12,409.37
Claims	-	(1,500.00)	(1,500.00)	-
Premiums	-	-	-	-
Fund Balance	15,000.00	13,650.00	12,286.50	12,409.37

Administrative costs of \$10,000 will be absorbed by a separate MDA agricultural fund and is not included in the table above.

Long-Term Fiscal Considerations

The fund is expected to need to collect premiums in 2031 in which the fund balance will fall below the requisite \$9,000,000. Based on the above assumptions the premiums will need to account for revenue of \$6,560,000. With premium collection comes significantly greater maintenance and accounting to verify and enforce produce premiums are collected and paid appropriately. This could equate to the equivalent of 0.5 FTE in years of premium collection.

In Thousands	2024	2025	2026	2027	2028	2029	2030	2031	2032
Interest (1%)	-	150.00	136.50	122.87	124.09	110.33	111.44	97.55	83.53
Previous fund balance+ Interest	-	15,150.00	13,786.50	12,409.37	12,533.46	11,143.79	11,255.23	9,852.78	8,436.31
Claims	-	(1,500.00)	(1,500.00)	-	(1,500.00)	-	(1,500.00)	(1,500.00)	-
Premiums	-	-	-	-	-	-	-	-	6,563.69
Fund Balance	15,000.00	13,650.00	12,286.50	12,409.37	11,033.46	11,143.79	9,755.23	8,352.78	15,000.00

Administrative costs of \$10,000 will be absorbed by a separate MDA agricultural fund and is not included in the table above.

Local Fiscal Impact

References/Sources

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