

SENATE JOURNAL SUPPLEMENT

May 2, 1986

FRIDAY

No. 75

FISCAL NOTE

SCS CSHB 193 (FIN)

Revision Date: 1-22-86

REQUEST

Bill/Resolution No. SCS CSHB 193 (Fin)
 Title: Agricultural Production Credits
 Sponsor: Rep. Shultz
 Requestor: Senate Finance Committee
 Date of Request: January 22, 1986

FISCAL DETAIL

Agency Affected: Natural Resources
 BRU: Agricultural Management
 Components: _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						
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REVENUE **	(2,626.5)	(1,720.0)	(2,064.0)	(2,476.5)		
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FUNDING : (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

**The proposed program could reduce State revenues, in the amounts shown, by the amount of interest paid on State agricultural loans. However, these figures are based on the assumption that the program will increase production and sales of farm products according to the attached schedule. If sales do not increase as projected, the amount of revenue lost will decrease.

Prepared by: Carol Wilson Phone: 465-2400
 Division: Commissioner's Office Date: January 22, 1986

Approved by Commissioner: Morris J. Daniels, Deputy Date: 1/21/86
 Agency: Natural Resources

SCS CSHB 193 (FIN)

The amount of production credits that might be earned during the five years of the program, considering that not all farmers have borrowed from the state, and that agricultural land that is not currently in production is put into production, are estimated as follows:

Year	Projected Sales	Sales Available for Credits*	% Credit	Projected Credits
1984	\$15,925,000	\$11,945,000	10	\$1,194,500
1985	19,110,000	14,320,000	10	1,432,000
1986	22,932,000	17,200,000	10	1,720,000
1987	27,518,000	20,640,000	10	2,064,000
1988	33,022,000	24,765,000	10	2,476,500
Total				\$8,887,000

* Projected sales reduced by 25% to account for non-borrowers.

The following chart gives estimated values for loan default and associated interest losses to the state if the production credit program is not established. Farmers in the Delta area have an especially heavy debt load. Approximately \$12,500.00 is due on clearing loans for the Delta I and Delta II agricultural project parcels. This is an average of \$337,837 of clearing loan debt per farm. Land payments for Delta II parcels average \$180 per acre at 12% interest per year. The average amount of principal owed for each Delta II parcel is approximately \$145,000.

Loan	Amount Outstanding	Possible Default	Collateral Value	Loss to State
ARLF	\$48.5 million	\$23 million	\$15 million	\$8 million
Clear.	17.5 million	8 million	0	8 million
Land	10 million	5 million	3 million	2 million

Interest on \$18 million loss at 8% x 5 years = \$7.2 million

Total estimated loss to the state = \$25.2 million