

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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FISCAL IMPACT STATEMENT

LS 7269
BILL NUMBER: SB 364

NOTE PREPARED: Feb 16, 2021
BILL AMENDED: Feb 16, 2021

SUBJECT: Grain Indemnity Program.

FIRST AUTHOR: Sen. Holdman
FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: (Amended) *Definitions/Limits:* This bill increases the limit on the amount of bond, letter of credit, and cash deposits required under the licensing law. It amends the definition of "failed" or "failure" to exclude a suspension, and adds a definition of "suspension" to mean a temporary halt to the purchase of grain from a claimant. It also makes conforming changes.

Director Duties: This bill provides that the director (director) of the Indiana grain buyers and warehouse licensing agency (agency) may share nonidentifying information with board members of the Indiana grain indemnity corporation (corporation) in executive session regarding the risk that a person licensed under the licensing law (licensee) may fail and the potential financial impact to the Indiana grain indemnity fund (fund) if the licensee does fail. It requires the director to conduct a third party performance review of the agency's auditing practices and procedures at least once every five years. It also authorizes the director of the agency to take certain actions if the director finds: (1) a deficiency in minimum net worth or a failure to maintain the required current asset to current liability ratio; or (2) that a licensee failed to maintain required unencumbered assets.

Board/Agency Duties: This bill provides that a board member of the corporation with a conflict of interest in a proceeding before the board must recuse himself or herself from those proceedings. It provides that, if a board member is found to have violated the terms of a confidentiality agreement, the board member forfeits his or her appointment to the board and shall be removed as a member of the board. It increases the amount that the board may transfer from the Indiana grain indemnity fund (fund) to the administrative expense account within the fund from \$250,000 to \$350,000 annually. It also authorizes the board to transfer the monthly interest generated from the fund over a six month period during a biennium to a professional development, training, and technology account to be used for specified purposes.

Deferred Pricing Agreements: This bill prohibits a licensee, beginning after June 30, 2021, from entering into a deferred pricing agreement or a delayed payment agreement in connection with grain purchases that extends beyond one year from the date of delivery of the grain. It also provides specified phase out periods for deferred pricing agreements or delayed payment agreements that were entered into by a licensee before July 1, 2021.

Actuarial Study: This bill provides that the corporation may require an actuarial study from a third party of the fund as needed, but not less than every five years.

Effective Date: (Amended) Upon passage.

Explanation of State Expenditures: *Director Duties:* The added duties of the director may help the board prepare for the failure of a licensee or take precautionary actions to limit the impact of such failure. This bill's requirements are within the agency's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

(Revised) Board/Agency Duties: This bill increases the minimum number of annual meetings of the board from two to four. It also requires the agency to make reasonable efforts to implement any corrective measures identified in the performance review. These added requirements are within routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary staffing and resource levels.

The professional development, training services, software updates, and technology support services the board may pay for will require no new expenses since this bill provides that these services may only be paid using the interest earned by the fund based on the limitations outlined in the bill.

Actuarial Study: The corporation must require an actuarial study from a third party of the fund at least once every five years. Any costs required to complete such studies may be paid from the fund's administrative expense account and will require no additional appropriations. The administrative expense account may be funded, up to a maximum of \$350,000 per year, from dollars allocated to the fund. This requirement is within the agency's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

Explanation of State Revenues: *Director Duties:* This bill adds fines of up to \$1,000 each to be collected, at the director's discretion, for a licensee failing to correct a deficiency in minimum net worth or failing to maintain the required asset to current liability ratio, as prescribed in the bill, within 30 days of being notified. Money collected from these fees shall be deposited into the Grain Buyers and Warehouse Licensing Agency License Fee Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Grain Buyers and Warehouse Licensing Agency.

Local Agencies Affected:

Information Sources:

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