



Ohio Legislative Service Commission

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Fiscal Note & Local Impact Statement

Bill: H.B. 415 of the 131st G.A. **Date:** February 23, 2016
Status: As Reported by House Financial Institutions, **Sponsor:** Rep. Schuring
Housing, and Urban Development

Local Impact Statement Procedure Required: No

Contents: To create the Business Linked Deposit Program, to permit credit unions to participate in that program, to permit credit unions to participate in the Agricultural Linked Deposit Program, and to make other changes to the linked deposit law

State Fiscal Highlights

- The bill may increase the Treasurer of State's administrative costs. Any increase in such cost would be paid out of its existing budget resources.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

Business Linked Deposit Program

The bill would establish a new type of linked deposit program, the Business Linked Deposit Program. The Treasurer's Office currently operates a handful of linked deposit programs,¹ under which the state deposits funds in a lending institution at below market interest rates, in exchange for the lending institution making loans in corresponding amounts to eligible entities, also at below market rates.

Under the Business Linked Deposit Program, an eligible lending institution that wants to receive a business linked deposit is required to accept and review applications for loans from eligible small businesses and forward a loan package to the Treasurer of State. The Treasurer may accept or reject such loan package, or any portion of it, based on existing procedures for accepting or rejecting loan applications related to linked

¹ It currently operates six linked deposit programs, including Ag-Link, which benefits eligible farm operators and other agricultural businesses, GrowNOW, a linked deposit program to benefit eligible small businesses, and SaveNOW, which benefits Ohioans who open savings accounts under the program by linking deposits of state money to the lending institution paying a higher rate to depositors.

deposit programs. Subsequently, the Treasurer would place a business linked deposit with the lending institution. The institution would then be required to lend such funds to each approved eligible small business listed in the linked deposit loan package in accordance with the deposit agreement. The bill specifies that the loan to a small business must be at a rate that is 3 percentage points below the current borrowing rate for that type of business if the borrowing rate exceeds 5%; if the present borrowing rate is equal to or less than 5%, the loan must be at a rate of 2.1 percentage points below the market rate.

The bill specifies eligible lending institutions' responsibilities and eligibility requirements for small business under the program. Among other criteria, an eligible small business must be located in Ohio and have fewer than 150 employees. The bill specifies that the amount of a loan under the program must not exceed \$400,000. The bill defines an "eligible lending institution" as a federal credit union located in Ohio; a credit union that is chartered under the laws of another state, is located in Ohio, and is licensed by the Superintendent of Credit Unions as a foreign credit union; or an Ohio-chartered credit union located in Ohio.

Other provisions

The bill expands the types of eligible lending institutions that may participate in the existing Agricultural Linked Deposit Program, to include certain credit unions. The bill modifies the Treasurer of State's investment authority related to state interim funds; the modifications allow the Treasurer to invest state interim funds in certificates of deposit in eligible institutions that are participating under the Agricultural Linked Deposits, the Business Linked Deposits, and the Housing Linked Deposits programs. The bill also requires each eligible lending institution that participates under those three programs to abide by the requirements associated with the pledging of security for repayment of public moneys.

Fiscal effect

The bill would create a new type of linked deposit program, but does not change the current aggregate percentage of state funds that the State Treasurer may invest in all linked deposit programs. Under existing law, the State Treasurer may invest up to 12% of the state's total average investment portfolio in all of the state's linked deposit programs. In concept, placing deposits of state funds at below market interest rates would reduce the state's earnings on investments. Because the bill does not increase the 12% limit, the bill would not have an impact on the state's revenues.

The establishment and requirements related to the new Business Linked Deposit Program may increase the Treasurer of State's administrative costs. Any increase in such costs would be absorbed by its existing budget. The bill would have no direct fiscal impact on local governments.