

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6875

BILL NUMBER: HB 1218

NOTE PREPARED: Jan 6, 2009

BILL AMENDED:

SUBJECT: Grain Indemnity Fund.

FIRST AUTHOR: Rep. Pearson

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: This bill increases by \$5,000,000 the amount of money that must be in the Grain Indemnity Fund: (1) before expenses of administering the fund may be taken from the fund; (2) before funds cease to be collected and then collection is reinstated; and (3) before the board may not require the collection of a producer premium.

Effective Date: July 1, 2009.

Explanation of State Expenditures: *Indiana Grain Indemnity Corporation:* The Indiana Grain Indemnity Corporation's current level of resources should be sufficient to implement the provisions of this bill.

Explanation of State Revenues: *Summary* - This bill increases the amount of money that must be in the Grain Indemnity Fund from \$5 M to \$10 M before expenses for administering the fund may be allocated. No more than \$250,000 per year may be used for administrative expenses. The bill also provides that producer premiums may be collected until the fund contains more than \$15 M, but the collection may be reinstated when the fund is at or below \$10 M. Current statute provides that producer premiums may be collected until the fund contains more than \$10 M and the collection may be reinstated when the fund is at or below \$5 M.

Background Information - The Grain Indemnity Fund was established on July 1, 1996, to protect grain producers in the event of a grain buyer's financial failure. Money in the Fund comes from a 0.02% premium on the gross sale price received by producers. Grain producers who choose not to participate in the program may request a refund of their premium from the Fund.

The law allowed premiums to be collected until June 30 of the year in which the Fund reached \$10 M. As such, premium collections stopped on July 1, 1999. By law, collections for the Fund cannot again resume until the balance of the Fund drops below \$5 M. As of November 30, 2008, the balance of the Fund was \$15.3 M. Since its inception, the Fund has paid out \$2.6 M to grain producers due to the insolvency of grain-buying firms.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Grain Indemnity Corporation.

Local Agencies Affected:

Information Sources: Sarah Simpson, Indiana Grain Buyers Warehouse Licensing Agency, 317-232-1359.

Fiscal Analyst: Jessica Harmon, 317-232-9854.