

HF3815 - 0 - Grain Indemnity Provisions Modified

Chief Author: **Ethan Cha**
 Committee: **Agriculture Finance And Policy**
 Date Completed: **2/29/2024 7:37:26 AM**
 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
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium		
		FY2023	FY2024	FY2025	FY2026	FY2027
Total	-	-	-	-	-	-

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:** 2/29/2024 7:37:26 AM
Phone: 651-297-1423 **Email:** chloe.burns@lbo.mn.gov

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	
Total	-	-	-	-	-	-
Biennial Total			-			-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total	-	-	-	-	-	-
Biennial Total			-			-
2 - Revenues, Transfers In*						
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

This bill revises the financial reporting requirements for grain buy and grain/buy store licenses. It expands what is permitted for financial reporting submissions beyond reviewed financial statement and audited financial statements by allowing for other standards beyond Generally Accepted Accounting Principles (GAAP). The threshold for submitting reviewed financial statements shifts from entities purchasing under \$7.5 million of grain annually to entities purchasing \$7.5 million or more of grain annually. It also changes the threshold for required audited financials from those purchasing \$7.5 million or more of grain annually to entities purchasing \$20 million or more in grain annually.

This creates three tiers of reporting:

For elevators purchasing less than \$7.5M annually, the required financial statement will be changed from a **reviewed** financial report provided by a **CPA** to a financial report prepared by a **3rd party**.

For elevators purchasing \$7.5M or more, but less than \$20M, annually the requirement changes from an **audited** financial report to a **reviewed** or **audited** financial report.

For elevators purchasing \$20M or more annually, the required financial statement will be an **audited** financial report.

The Commissioner of Agriculture is granted the right to require a financial reporting based on inspections, violations or report of nonpayment for those entities that qualify for a financial reporting exemption. The Commissioner is also permitted to require additional financial statements or reports for those that do not meet the financial reporting exemption; this does not carry any conditions to justify the additional requirement. The Minnesota Department of Agriculture would be required to review all financial statements filed annually. The bill also adjusts language to bring definitions in MS 223 and MS 232 into alignment.

Assumptions

The reporting requirements changed in this bill will directly impact license holders, but not the MDA. Roughly 68% of licensed entities will see their reporting requirements change under this bill. It is almost certain that the expense of complying with the financial reporting requirements will decrease for elevators purchasing less than \$20M in grain per year because they will be able to supply a financial statement that is cheaper and more readily available than current law requires. In recent years grain program staff have spent an inordinate amount of time working to get license holders in compliance with financial reporting requirements. It is assumed that loosening the financial reporting requirements to allow for a wider array of submissions, while still including essential information, will free staff up to review and monitor financial positions. This review and monitoring will use indicators that can be easily calculated from the required components of the financial report and is similar to what other grain regulatory programs in neighboring states use (working capital, tangible net worth, debt to equity and/or current ratio)

Expenditure and/or Revenue Formula

Not Applicable

Long-Term Fiscal Considerations

Not Applicable

Local Fiscal Impact

Not Applicable

References/Sources

Not Applicable

Agency Contact: Nick Milanowski Phone 651-201-6076

Agency Fiscal Note Coordinator Signature: Julie Sis

Phone: 651-201-6412

Date: 2/28/2024 9:09:53 AM

Email: julie.sis@state.mn.us