

Office of the  
Legislative Fiscal Analyst

## **FY 2005 Budget Recommendations**

Joint Appropriations Subcommittee for  
Natural Resources

Utah Department of Agriculture and Food  
**Agricultural Loan Program**

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## 1.0 Summary: Agricultural Loan Program

The Department administers two types of loans:

- The Agriculture Resource Development Fund.** UCA 59-12-103(5)(b) requires that sales and use tax revenue generated by a 1/16 percent rate be used to deposit \$525,000 (or 3% of \$17,500,000) annually into this fund. Since this is in statute, it does not need to be part of the annual Appropriations Act. Other funding sources include loan repayments, interest, and money appropriated by the Legislature. Loans may be made for rangeland improvement, watershed protection, flood prevention, soil and water conservation, and energy efficient farming projects. The Agriculture Resource Development Loan (ARDL) provides low-interest (3 percent annual interest plus a one-time four percent technical assistance fee) loans.
- The Utah Rural Rehabilitation Fund.** Established from a one-time federal appropriation in 1937, this revolving loan fund is replenished by repayments and low interest rates. Interest rates are set by the Agricultural Advisory Board (4-19-3). This fund received a \$1 million supplemental appropriation in 1993. In essence, the Rural Rehabilitation Program is a lender of last resort to farmers who represent too high a risk to acquire financing from conventional lending institutions. Assets may be used for real estate loans, farm operating loans, youth loans, educational loans, and irrigation / water conservation loans.

### Previous Budget Action Report

During the 2003 General Session, S.B. 173 transferred \$500,000 from the Agricultural Resource Development Fund to the Rural Rehabilitation Fund.

	<b>Analyst FY 2005 Base</b>	<b>Analyst FY 2005 Changes</b>	<b>Analyst FY 2005 Total</b>
<b>Financing</b>			
Agri Resource Development	296,100		296,100
Utah Rural Rehab Loan	18,000		18,000
<b>Total</b>	<b>\$314,100</b>	<b>\$0</b>	<b>\$314,100</b>
<b>Programs</b>			
Agriculture Loan Program	314,100		314,100
<b>Total</b>	<b>\$314,100</b>	<b>\$0</b>	<b>\$314,100</b>
<b>FTE/Other</b>			
Total FTE	4.0	0.0	4.0

### 3.0 Programs: Agricultural Loan Program

#### 3.1 Loan Program

#### Recommendation

The Analyst recommends a total budget of **\$314,100** for loan fund administration. Funds are transferred from the two Agriculture loan funds.

	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>Est/Analyst</b>
	<b>Actual</b>	<b>Estimated*</b>	<b>Analyst</b>	<b>Difference</b>
<b>Financing</b>				
Agri Resource Development	227,900	296,100	296,100	
Utah Rural Rehab Loan	18,000	18,000	18,000	
<b>Total</b>	<b>\$245,900</b>	<b>\$314,100</b>	<b>\$314,100</b>	<b>\$0</b>
<b>Expenditures</b>				
Personal Services	197,000	206,300	205,700	(600)
In-State Travel	6,200	5,000	5,000	
Current Expense	26,100	57,700	53,700	(4,000)
DP Current Expense	13,900	45,100	49,700	4,600
DP Capital Outlay	2,700			
<b>Total</b>	<b>\$245,900</b>	<b>\$314,100</b>	<b>\$314,100</b>	<b>\$0</b>
<b>FTE/Other</b>				
Total FTE	3.8	4.0	4.0	0.0

\*Non-state funds as estimated by agency

#### Purpose

This program is responsible for the administration of the two loan fund programs.

The following two pages contain account information for the two loan funds.

<b>Agriculture Resource Development Loan (ARDL) Fund</b>			
	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>
<b>Operating Revenues and Expenses</b>	<b>Actual</b>	<b>Estimated</b>	<b>Analyst</b>
<u>Revenues:</u>			
Interest on Loans	\$623,500	\$530,000	\$550,000
Other Revenue	235,300	900,000	900,000
<b>Total Operating Revenues</b>	<b>\$858,800</b>	<b>\$1,430,000</b>	<b>\$1,450,000</b>
<u>Expenses:</u>			
Personal Services	\$184,900	\$194,300	\$193,700
Travel	5,900	4,500	4,500
Current Expense	22,700	52,900	48,900
Data Processing	11,700	44,400	49,000
Depreciation	2,700	0	0
<b>Total Expenses</b>	<b>\$227,900</b>	<b>\$296,100</b>	<b>\$296,100</b>
<b>Total Operating Profit (Loss)</b>	<b>\$630,900</b>	<b>\$1,133,900</b>	<b>\$1,153,900</b>
Transfer to Resource Conser. Admin.	(5,700)	(5,700)	(5,700)
Transfer to Resource Conservation (SCD)	(229,700)	(327,600)	(327,600)
<b>Net Income</b>	<b>\$395,500</b>	<b>\$800,600</b>	<b>\$820,600</b>
<b>Balance Sheet</b>			
<u>Assets:</u>			
Cash	\$303,600	\$373,100	\$379,800
Accounts Receivable	20,586,100	21,960,400	21,849,600
Accrued Interest	318,200	304,000	326,600
Due from Other Funds	200		
Other Investments	5,138,100	4,295,100	5,197,200
Fixed Assets			
<b>Total Assets</b>	<b>\$26,346,200</b>	<b>\$26,932,600</b>	<b>\$27,753,200</b>
<u>Liabilities:</u>			
Accounts Payable	\$214,200		
Contributed Working Capital (Equity)	15,782,600	15,782,600	15,782,600
Retained Earnings (Equity)	10,349,400	11,150,000	11,970,600
<b>Total Liabilities</b>	<b>\$26,346,200</b>	<b>\$26,932,600</b>	<b>\$27,753,200</b>
FY 2003 New Loans Closed	\$3.3M		
FY 2002 New Loans Closed	\$6.1M		

<b>Rural Rehabilitation Loan Fund</b>			
<b>Operating Revenues and Expenses</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>
	<b>Actual</b>	<b>Estimated</b>	<b>Analyst</b>
<u>Revenues:</u>			
Interest on Loans	\$280,700	\$210,000	\$260,000
Other Revenue	10,800	35,000	35,000
Total Operating Revenues	\$291,500	\$245,000	\$295,000
<u>Expenses:</u>			
Personal Services	\$12,100	\$12,000	\$12,000
Travel	400	500	500
Current Expense	3,400	4,800	4,800
Data Processing	2,100	700	700
Total Expenses	\$18,000	\$18,000	\$18,000
Total Operating Profit (Loss)	\$273,500	\$227,000	\$277,000
Transfers Out	0	0	0
Net Income	\$273,500	\$227,000	\$277,000
<b>Balance Sheet</b>			
<u>Assets:</u>			
Cash	\$304,100	\$397,200	\$360,700
Accounts Receivable	6,147,600	6,200,200	6,438,700
Accrued Interest	133,700	120,000	100,000
Other Investments	310,000	405,000	500,000
Total Assets	\$6,895,400	\$7,122,400	\$7,399,400
<u>Liabilities:</u>			
Accounts Payable			
Contributed Working Capital (Equity)	4,254,600	4,254,600	4,254,600
Retained Earnings (Equity)	2,640,800	2,867,800	3,144,800
Total Liabilities	\$6,895,400	\$7,122,400	\$7,399,400
FY 2003 New Loans Closed	\$1.0M		
FY 2002 New Loans Closed	\$1.5M		

## 4.0 Additional Information: Agricultural Loans

### 4.1 Funding History

	2001	2002	2003	2004	2005
<b>Financing</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Estimated*</b>	<b>Analyst</b>
Agri Resource Development	296,100	221,300	227,900	296,100	296,100
Utah Rural Rehab Loan	18,000	18,000	18,000	18,000	18,000
Lapsing Balance	(71,700)				
<b>Total</b>	<b>\$242,400</b>	<b>\$239,300</b>	<b>\$245,900</b>	<b>\$314,100</b>	<b>\$314,100</b>
<b>Programs</b>					
Agriculture Loan Program	242,400	239,300	245,900	314,100	314,100
<b>Total</b>	<b>\$242,400</b>	<b>\$239,300</b>	<b>\$245,900</b>	<b>\$314,100</b>	<b>\$314,100</b>
<b>Expenditures</b>					
Personal Services	194,400	192,200	197,000	206,300	205,700
In-State Travel	2,200	2,600	6,200	5,000	5,000
Out of State Travel	3,200	2,900			
Current Expense	30,800	29,600	26,100	57,700	53,700
DP Current Expense	9,100	9,300	13,900	45,100	49,700
DP Capital Outlay	2,700	2,700	2,700		
<b>Total</b>	<b>\$242,400</b>	<b>\$239,300</b>	<b>\$245,900</b>	<b>\$314,100</b>	<b>\$314,100</b>
<b>FTE/Other</b>					
Total FTE	4.1	4.0	3.8	4.0	4.0

\*Non-state funds as estimated by agency.

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