



SOUTH CAROLINA REVENUE AND FISCAL AFFAIRS OFFICE

STATEMENT OF ESTIMATED FISCAL IMPACT

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This fiscal impact statement is produced in compliance with the South Carolina Code of Laws and House and Senate rules. The focus of the analysis is on governmental expenditure and revenue impacts and may not provide a comprehensive summary of the legislation.

Bill Number: H. 3183 Introduced on January 14, 2025
Subject: Young Farmer Loan Program
Requestor: House Ways and Means
RFA Analyst(s): Daigle
Impact Date: January 27, 2025

Fiscal Impact Summary

This bill creates the Young Farmer Loan Program, which is to be established, operated, and administered by the South Carolina Conservation Bank (Bank). This bill authorizes the Bank to perform specified functions in order to facilitate the requirements of this bill as well as to promote the Young Farmer Loan Program. Applications for the loan are to be submitted to the Department of Agriculture and the department is required to transfer all loan applications to the Bank for approval. This bill also creates requirements for the loans, including a maximum loan amount of \$500,000.

The Department of Agriculture anticipates this bill will have no impact on expenses for the agency as the receipt and transfer of loan applications can be managed with existing staff and within existing appropriations.

The Bank indicates that the requirements of this bill cannot be absorbed with existing staff or technology resources, and therefore, the Bank anticipates this bill will increase expenses by approximately \$148,000 in FY 2026-27, including \$132,000 of recurring and \$16,000 of non-recurring expenses and \$132,000 each year thereafter. Of the recurring expenses, the Bank will require \$108,000 for salary and fringe to hire 1.0 FTE Program Manager and \$22,000 either for salary and fringe to hire a part-time IT Specialist or to increase the Bank's existing technology contract with the Department of Administration. In addition, the Bank anticipates recurring expenses of \$1,900 for DTO Managed Services and \$3,000 for the ongoing system maintenance, licensing, hosting and support of a new loan application and management system. Furthermore, the Bank indicates that non-recurring expenses will increase by \$10,000 for the development of a loan application and management system and \$5,800 for equipment and office supplies for the new FTEs. The Bank will request General Fund appropriations to fund expenses due to this bill.

This bill does not specify from which revenue source the Young Farmer Loans will be funded, and after further discussions with the Bank, the source(s) of funding for the Young Farmer Loans is unknown. The potential revenues that may be credited to fund the Young Farmer Loans will depend on the amount and source of funding, and therefore, the amount that may be available to fund the loans is undetermined.

Explanation of Fiscal Impact

Introduced on January 14, 2025

State Expenditure

This bill creates the Young Farmer Loan Program, which is to be established, operated, and administered by the Bank. Applications for the loan are to be submitted to the Department of Agriculture and the department is required to transfer all loan applications to the Bank for approval. This bill also sets requirements for loan eligibility as well as preservation easement conditions.

To carry out the responsibilities of administering the loan program, this bill authorizes the Bank to proceed with the following. The Bank may adopt an application and other forms for processing applications and closing loan transactions. The Bank may also establish a prequalification system, establish schedules and timelines for processing applications and making loan decisions, require the submission of a farm plan by applicants, provide assurances to commercial or other lenders, structure and restructure the payment provisions of loans, have appraisals performed under an appraisal methodology approved by a bank, develop a selection criteria for approving loans with emphasis on a specified priority basis, subordinate bank loans to commercial financing provided to support farming operations conducted on the farmland, cooperate with commercial lenders and other financing providers, and establish a system for annual reporting by loan recipients to ensure their active participation in agriculture. In addition, the Bank is entitled to advertise and promote the loan program and create public awareness of the agricultural land preservation, open-space, and environmental benefits for which the program provides. Moreover, this bill authorizes the Bank to promulgate regulations and adopt rules of practice for administering the loan program.

In addition, this bill establishes requirements for loans provided by the Bank as follows. The maximum total amount of loan that can be provided to an individual cannot exceed \$500,000, and may not exceed seventy percent of the appraised easement value of the farmland. This bill also requires that a condition of the loan is that the farmland is to be subject to a permanent preservation easement in the form determined by the Bank. In addition, this bill states that the loan is to be secured by Notes and Mortgages, which allows for specified conditions, including that the Notes and Mortgages shall bear no interest and the payback may be structured over a thirty-year period. This bill also states that approval of loans by the Bank is a discretionary function and the Bank shall be under no obligation to provide a loan to any applicant.

Department of Agriculture. This bill requires the Department of Agriculture to receive and transfer loan applications to the Bank. The agency indicates this can be managed with existing staff and within existing appropriations. Therefore, this bill will have no impact on expenses for the Department of Agriculture.

South Carolina Conservation Bank. This bill creates new responsibilities for the Bank in order to establish, operate, and administer the Young Farmer Loan Program. Bank anticipates the need for an increase in expenses of \$108,000 for salary and fringe to hire 1.0 FTE Program Manager to oversee the program, manage application workflows, and ensure compliance as well as

\$22,000 either for salary and fringe to hire a part-time IT Specialist or to increase the Bank's existing technology contract with the Department of Administration. In addition, the Bank anticipates recurring expenses of \$1,900 for DTO Managed Services and \$3,000 for the ongoing system maintenance, licensing, hosting and support of a new loan application and management system. Furthermore, the Bank indicates that non-recurring expenses will increase by \$10,000 for the development of a loan application and management system, by \$3,000 for a laptop and accessories, and \$2,800 for desks and office furniture for the new FTEs. Therefore, the Bank anticipates this bill will increase expenses by approximately \$148,000 in FY 2026-27, including \$132,000 of recurring and \$16,000 of non-recurring expenses, and \$132,000 each year thereafter. The Bank will request General Fund appropriations to fund expenses due to this bill.

State Revenue

This bill does not specify from which revenue source the Young Farmer Loans will be funded, and after further discussions with the Bank, the source(s) of funding for the Young Farmer Loans is unknown. The potential revenues that may be credited to fund the Young Farmer Loans will depend on the amount and source of funding, and therefore, the amount that may be available to fund the loans is undetermined.

Local Expenditure

N/A

Local Revenue

N/A



Frank A. Rainwater, Executive Director