



STATE OF OREGON
OREGON STATE TREASURY
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SALEM, OREGON 97301-4043

**Testimony to the
House Committee on Agriculture and Natural Resources**

**Re: House Bill 2700
February 12, 2013**

Mr. Chair and members of the committee:

The State Treasurer's office would like to express our support of House Bill 2700, which establishes a loan program for beginning and expanding farmers.

Farming has provided a livelihood to generations of Oregonians. Agriculture continues to be a significant component of the economy of our state; if we hope for a healthy, sustainable economy for the long term, the health of our agricultural sector is crucial.

Farming families and those who aspire to become farmers are facing new challenges. The economic downturn and the credit crisis have erected new barriers for those seeking to purchase or refinance farmland. House Bill 2700 would take direct aim at these barriers, helping to provide low-cost farm loans to creditworthy borrowers who may not otherwise be able to get them.

The bill helps extend these benefits by taking advantage of Oregon's unused federal allocation for private tax exempt financing. The federal government allows a certain amount of tax exempt bonds to be sold each year to help finance private activities determined to have a public benefit. Because the returns are exempt from federal taxation, lenders are able to extend a lower rate of interest on these borrowings. In this way the borrowers are able to finance their activities at a lower cost than would otherwise be possible.

Typically, a substantial portion of Oregon's allocation for tax exempt private activity bonds remains unused each year, so we do not anticipate that this program would crowd out other uses.

Just to be clear, these bonds are not obligations of the state –only the borrower is obligated to repay them. They do not count against the State's bonding capacity, nor do they imperil our credit rating.

Lastly, I will note that the Treasury staff is working with the Department of Justice on some technical amendments to House Bill 2700 that will help clarify how certain costs will be paid and also to guide bond issuance.

Allowing for the addition of necessary technical amendments, this measure has the State Treasury's approval and support.

*Michael Selvaggio, Policy Director
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