

HB 2700

Relating to Beginning and Expanding Farmer Loan Program

The measure establishes the Beginning and Expanding Farmer Loan Program to facilitate the making of loans to beginning farmers.

The bill establishes the Beginning and Expanding Farmer Loan Fund in the State Treasury, separate and distinct from the General Fund; all moneys in the fund are continuously appropriated to the Oregon Business Development Department (OBDD).

The bill would require the Department of Agriculture to consult with the OBDD regarding loan applicants' qualifications and eligibility.

OBDD is authorized to establish fees to lenders and loan recipients to fund administration and bond issuance costs for the program.

The State Treasurer is directed to issue revenue bonds at the request of OBDD, secured by the revenue from agricultural project sales that are pledged for this purpose.

A fiscal impact of \$227,607 Lottery Funds and one permanente 0.50 FTE is anticipated in the 2013-15 biennium; \$143,381 Lottery Funds and one permanente 0.50 FTE is anticipated in 2015-17 biennium.

The Natural Resources Subcommittee recommends HB 2700 be amended and reported out do pass, as amended.

**77th OREGON LEGISLATIVE ASSEMBLY – 2013 Session
BUDGET REPORT AND MEASURE SUMMARY**

JOINT COMMITTEE ON WAYS AND MEANS

MEASURE: HB 2700-B

Carrier – House: Rep. Unger

Carrier – Senate: Sen. Edwards

Action: Do Pass the A-Engrossed Measure as Amended and be Printed B-Engrossed

Vote:

House

Yeas:

Nays:

Exc:

Senate

Yeas:

Nays:

Exc:

Prepared By: Tamara Brickman, Department of Administrative Services

Reviewed By: Krista McDowell, Legislative Fiscal Office

Meeting Date: June 28, 2013

Agency

Oregon Business Development Department

Biennium

2013-15

Budget Summary*

	2011-13 Legislatively Approved Budget ⁽¹⁾	2013-15 Current Service Level	2013-15 Committee Recommendation	Committee Change from 2011-13 Leg. Approved	
				\$ Change	% Change
Lottery Funds	\$ 0	\$ 0	\$ 227,607	\$ 227,607	100.0%
Total	\$ 0	\$ 0	\$ 227,607	\$ 227,607	100.0%

Position Summary

Authorized Positions	0	0	1	1
Full-time Equivalent (FTE) positions	0.00	0.00	0.50	0.50

⁽¹⁾ Includes adjustments through December 2012

* Excludes Capital Construction expenditures

Summary of Revenue Changes

The bill authorizes the State Treasurer to issue bonds to fund loans under the Beginning and Expanding Farmer Loan Program, however no specific bond authority is provided for in this bill. The Legislature will need to authorize bonds for the program each biennium in a bond authorization bill. Without subsequent bond authorization, no funds will be available to the Oregon Business Development Department (OBDD) for the program. The bill provides OBDD with the authority to establish fees, by rule, to derive revenue for the costs of issuance associated with bond sales and for the administration of the program.

For implementation and administration of the program, OBDD is provided with Lottery Funds.

Summary of Transportation and Economic Development Subcommittee Action

House Bill 2700-B directs the Oregon Business Development Department (OBDD), in consultation with the State Department of Agriculture, to establish the Beginning and Expanding Farmer Loan Program (program) for the purposes of facilitating the issuance of loans to beginning farmers. House Bill 2700-B establishes the Beginning and Expanding Farmer Loan Fund in the State Treasury, separate and distinct from the General Fund, to be continuously appropriated to OBDD, and credits the interest earned to the fund. Under provisions of the bill, the State Treasurer may issue revenue bonds at the request of OBDD, secured by the revenue from agricultural project sales that are pledged for this purpose.

House Bill 2700-B directs OBDD to adopt rules for the operation of the program, and also establishes criteria that must exist in order for OBDD to approve any loan under the program. House Bill 2700-B allows OBDD to establish fees charged to lenders and beginning farmers to provide funding for administration of the program and cover the costs of issuance, including bond counsel, related to bond sales.

House Bill 2700-B provides the State Treasurer with two funding mechanisms for administrative expenses: (1) the Treasurer may charge against the proceeds for the revenue bonds, or (2) use Other Funds from fee revenues charged to lenders or beginning farmers. Costs associated with Private Activity Bond sales, to be paid by each individual loan recipient, may include the following:

- \$5,000 Office of the State Treasurer closing fee
- \$500 Oregon Facilities Authority initial application fee
- 0.5 percent of the amount of the bond for the Oregon Facilities Authority processing fee
- \$11,500 Oregon Facilities Authority Bond Counsel compensation fee
- \$800 financial advisor fee (may be waived depending on OBDD rules)
- Private sector bank fees associated with loan processing and closing

The Subcommittee discussed that the maximum principal amount of loans are assumed to comply with Internal Revenue Service tax law, currently 26 USC Sec. 147; which stipulates first-time farmer lending requirements applicable to certain private activity bonds and caps lending at the following amounts for specified purposes:

- \$501,100 for agricultural land, improvements and property (adjusted annually for inflation)
- \$250,000 for depreciable property (i.e. equipment and livestock)
- \$62,500 for depreciable equipment

The Subcommittee allocated \$227,607 of Lottery Funds to OBDD, increased the agency's Lottery Funds expenditure limitation for Business, Innovation and Trade by the same amount, and added one part-time Program Analyst 4 position (0.50 FTE) to the Department budget, for implementation and administration of the program. The bill does not provide funds to OBDD for program loans. Unless funding for those loans is provided in another bill (bond bill), the Department will be unable to enter into loan arrangements.

DETAIL OF JOINT COMMITTEE ON WAYS AND MEANS ACTION

HB 2700-B

Oregon Business Development Department
 Tamara Brickman - (503) 378-4709

DESCRIPTION	GENERAL FUND	LOTTERY FUNDS	OTHER FUNDS		FEDERAL FUNDS		TOTAL ALL FUNDS	POS	FTE
			LIMITED	NONLIMITED	LIMITED	NONLIMITED			
<u>SUBCOMMITTEE RECOMMENDATION</u>									
SCR 210 - Business, Innovation, Trade									
Personal Services	\$ 0	\$ 93,202	\$ 0	\$ 0	\$ 0	\$ 0	\$ 93,202	1	0.50
Services and Supplies	\$ 0	\$ 118,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 118,000		
Special Payments - Spc Pmt to Agriculture, Dept of (6603)	\$ 0	\$ 16,405	\$ 0	\$ 0	\$ 0	\$ 0	\$ 16,405		
<u>SUBCOMMITTEE RECOMMENDATION</u>	\$ 0	\$ 227,607	\$ 0	\$ 0	\$ 0	\$ 0	\$ 227,607	1	0.50

**PROPOSED AMENDMENTS TO
A-ENGROSSED HOUSE BILL 2700**

1 On page 1 of the printed A-engrossed bill, line 2, after “money;” insert
2 “limiting expenditures;”.

3 On page 3, delete lines 3 through 5.

4 In line 6, delete “(7)” and insert “(6)”.

5 On page 5, after line 42, insert:

6 **“SECTION 7. Notwithstanding any other law limiting expenditures,**
7 **the limitation on expenditures established by section 3 (1), chapter**
8 **_____, Oregon Laws 2013 (Enrolled House Bill 5028), for the biennium**
9 **beginning July 1, 2013, as the maximum limit for payment of expenses**
10 **from lottery moneys allocated from the Administrative Services Eco-**
11 **nomic Development Fund to the Oregon Business Development De-**
12 **partment, is increased by \$227,607 for the Beginning and Expanding**
13 **Farmer Loan Program.”.**

14 In line 43, delete “7” and insert “8”.

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