

**FISCAL IMPACT OF PROPOSED LEGISLATION****Measure: HB 2700 - A**Seventy-Seventh Oregon Legislative Assembly – 2013 Regular Session  
Legislative Fiscal Office***Only Impacts on Original or Engrossed  
Versions are Considered Official***

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**Measure Description:**

Directs Oregon Business Development Department to develop and implement Beginning and Expanding Farmer Loan Program to assist beginning farmers with acquisition of agricultural land, agricultural improvements and depreciable agricultural property.

**Government Unit(s) Affected:**

Business Development Department (Business Oregon), Department of Agriculture, State Treasurer

**Summary of Expenditure Impact:**

See Analysis

**Local Government Mandate:**

This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

**Analysis:**

The measure establishes the Beginning and Expanding Farmer Loan Program to facilitate the making of loans to beginning farmers. The bill would require the Department of Agriculture to consult with the Oregon Business Development Department (OBDD) to market the program. The bill establishes the Beginning and Expanding Farmer Loan Fund in the State Treasury, separate and distinct from the General Fund. Interest earned shall be credited to the fund; all moneys in the fund are continuously appropriated to the OBDD. 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. The Legislature would set limits on bond issuance each biennium in a bond authorization bill. The State would not be liable to pay bond holders in the event that the revenue from secured sales is insufficient to pay debt service charges.

OBDD is authorized to establish fees to lenders and loan recipients to fund administration and bond issuance costs. While the bill authorizes OBDD to charge fees as a funding mechanism; the estimated volume for the program is projected by the department to be close to five or fewer financings per year. As a result of limited applicant participation, the proposed fees would likely be insufficient to cover the administrative costs of the program.

OBDD is requesting one permanent Program Analyst 4 position (1.0FTE) to set up, operate and manage the program and comply with continuing U. S. Security and Exchange Commission reporting requirements for these Private Activity Bonds. The positions, and associated Services & Supplies, are estimated to cost \$249,906 Lottery Funds (LF) per biennium, and an additional one-time \$50,000 LF expense, associated with the development of bond closing documents, is anticipated in the 2013-15 biennium.

The Department of Agriculture estimates up to 400 hours of existing Operations and Policy Analyst 3 positions will be needed in the implementation year; and up to 200 hours per year thereafter to provide consultation to OBDD and outreach services to qualified participants. In addition, an estimated expense of \$2,600 per biennium for production of outreach materials will also be incurred. The estimated fiscal impact for the Department of Agriculture is \$44,600 for the 2013-15 biennium and \$30,600 in

subsequent biennium. It is not determined if these expenses will be fully funded by Other Funds revenue transfer from OBDD or if a General Fund appropriation is necessary.

Bonding costs to the State Treasurer could be dependent on the amount of financing sought; since the bill does not identify minimum or maximum qualifying loans, the costs associated with bonding are foreseeably indeterminate until such requirements are established under rule. Additionally, the bill provides the State Treasurer two funding mechanisms for administrative expenses and it is unclear if this will be paid for by charging against proceeds for the revenue bonds or with the use of Other Funds from fee revenues charged to applicant lenders or beginning farmers.

The fiscal implications to the state have not been quantified as it relates to bond holders who enforce their rights, under provisions of the bill, to compel the performance of duties and obligations of, the State of Oregon or its officers, agents or employees. This action to require the state to act as if it were a trustee of an express trust, on behalf of the bond holders, could have a broad range of effects on various state agencies. Additionally, a revenue source is not identified to fund these potential expenses, should the state be required to perform such a broad range and scope of duties.