

**FISCAL IMPACT OF PROPOSED LEGISLATION**

**Measure: HB 2700 - B**

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, in consultation with State Department of Agriculture and potential lenders, to create Beginning and Expanding Farmer Loan Program to facilitate making loans to beginning farmers to finance acquisition of approved agricultural projects.

**Government Unit(s) Affected:**

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

**Summary of Expenditure Impact:**

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	<b>2013-15 Biennium</b>	<b>2015-17 Biennium</b>
General Fund		
Lottery Funds	227,607	143,381
Other Funds		
Federal Funds		
<b>Total Funds</b>	<b>\$227,607</b>	<b>\$143,381</b>
Positions	1	1
FTE	0.50	0.50

**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, as amended, 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. Interest earned shall be credited to the fund; all moneys in the fund are continuously appropriated to the OBDD. The bill would require the Department of Agriculture to consult with the Oregon Business Development Department (OBDD) regarding loan applicants' qualifications and eligibility. 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.

Under provisions of the bill OBDD is authorized to establish fees to lenders and loan recipients to fund administration and bond issuance costs. However, while these fees are an authorized funding mechanism - Lottery Funds allocations are planned to support OBDD and Department of Agriculture administration costs.

One permanent half-time Program Analyst 4 position (0.50 FTE) is needed by OBDD 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 position is estimated to cost \$161,202

Lottery Funds (LF) in the 2013-15 biennium and \$134,492 LF in the 2015-17 biennium. An additional one-time \$50,000 LF expense associated with the development of bond closing documents is anticipated in the 2013-15 biennium.

Consultation work and rule making assistance by the Department of Agriculture is estimated at 80 hours of existing Operations and Policy Analyst 4 work in the implementation year for the program; and up to 96 hours per year thereafter. The estimated fiscal impact for the Department of Agriculture is \$16,405 for the 2013-15 biennium and \$11,580 in subsequent biennium. These expenses will be funded by a revenue transfer from OBDD.

The bill provides the State Treasurer two funding mechanisms for administrative expenses 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. 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% 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)
- Indeterminate amount of private sector bank fees associated with loan processing and closing

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