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Testimony on HB 5005 Joint Ways and Means Subcommittee on Capital Construction

Co-Chairs Read and Girod, Members of the Committee

Thank you for the opportunity to provide testimony on HB 5005 today. We submit this testimony in support of the bill's inclusion of an allocation of private activity bonds necessary for farmers to access the benefits Oregon's Beginning and Expanding Farmer Loan Program (aka Aggie Bonds), as well as authorization for issuance of pass-through revenue bonds sufficient for this purpose. The bill contains an allocation of \$10 million in private activity bonds for this program.

In 2013, the Oregon Legislature passed HB 2700 to establish Oregon's Beginning and Expanding Farmer Loan Program. The intent of this program is to provide incentives for lower interest lending for beginning and smaller farmers. With the average age of Oregon farmers nearing 60 years old, it is estimated that between 25 - 50% of Oregon farmland will change hands in coming decades, according to the Oregon Department of Agriculture. It is currently very hard for new and smaller farmers to purchase land or expand their operations as many lending institutions simply refuse to lend to farm businesses, or only offer very high interest rates. Programs to aid beginning farmers in accessing land and equipment, including through lower interest lending, are increasingly necessary. The Oregon Beginning and Expanding Farmer Loan Program is meant to assist beginning and smaller farmers in the acquisition of agricultural land, agricultural improvements, and depreciable agricultural property including breeding livestock and equipment. For this program, qualifying loans are capped at \$509,600 by the IRS, and other IRS rules ensure that this program is strictly accessible to farmers who either do not currently own land, or those currently operating on smaller acreages and seeking to expand.

The Aggie Bond program does not lend state money. Rather, the state issues tax exempt private activity bonds for the amount of the loan, allowing lenders to receive a federal tax credit on interest earned when they lend to qualifying small and beginning farmers as defined by the IRS. This can lower interest rates significantly and save qualifying farmers thousands of dollars per year in payments. Farmers can also combine Aggie Bonds backed loans with federal (ie, Farm Service Agency) beginning farmer loan, loan guarantee and down payment assistance programs.

Farm interest rates are typically significantly higher than residential interest rates. By lowering interest rates for beginning farmers, this program helps farmers improve cash flow and build equity, aiding a newer generation of farmers in access to land. While Business Oregon (OBDD) determines a loan's eligibility for the program and whether a bond will be issued, the loan and the bond are secured solely by the collateral required by the lender and are not obligations of state of Oregon.

We urge your support for the private activity bonding allocation and authorization for issuance of pass-through revenue bonds for Oregon's Beginning and Expanding Farmer Loan Program included in HB 5005.