

**House Committee On Business and Labor**

**Fiscal:** Has minimal fiscal impact

**Revenue:** No Revenue Impact

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**Action Date:** 04/08/15

**Action:** Do Pass.

**Meeting Dates:** 03/23, 04/08

**Vote:**

Yeas: 11 - Barreto, Barton, Doherty, Esquivel, Evans, Fagan, Heard, Holvey, Kennemer, Nosse, Weidner

**Prepared By:** Jan Nordlund, Committee Administrator

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**WHAT THE MEASURE DOES:**

Expands the definition of lender, for purposes of Beginning and Expanding Farmer Loan Program, to include: anyone selling agricultural land to a beginning farmer; an institution organized under the federal Farm Credit Act; and any other person or entity defined by the Oregon Business Development Department through administrative rule. Declares emergency, effective on passage.

**ISSUES DISCUSSED:**

- Whether lenders are licensed by Department of Consumer and Business Services
- Appropriateness of allowing Oregon Business Development Department to add lenders to program through rulemaking
- Tax exemption compensates for additional risk to lender

**EFFECT OF COMMITTEE AMENDMENT:**

No amendment.

**BACKGROUND:**

In a 2011 survey of farmers and aspiring farmers conducted by the National Young Farmers' Coalition, the lack of capital, including the lack of access to credit, was ranked as the top challenge facing beginning farmers. Beginning farmers have difficulty accessing credit through traditional commercial loans because, by definition, they have never owned farms and often have little experience. In an effort to help new farmers secure funding for the purchase of agricultural land and other property necessary for operations, a number of states administer "Aggie Bond" programs in which a state agency issues federally-tax-exempt bonds to substitute for a regular loan instrument. Because lenders using these bonds do not pay tax on the interest paid by the farmer, lenders are able to offer lower interest rates. The programs aim to increase the availability of credit to new farmers by incentivizing lending.

The Legislative Assembly passed its own Aggie Bond program through House Bill 2700 in 2013. The measure established the Beginning and Expanding Farmer Loan Program for the purposes of facilitating the issuance of lower- interest loans to beginning farmers. Under the program, the State Treasurer is authorized to issue revenue bonds at the request of Oregon Business Development Department, secured by the revenue from agricultural project sales that are pledged for this purpose. Before revenue bonds may be issued for the program, an agricultural project must be determined to be eligible for a loan under the program and the beginning farmer must be qualified by the lender to receive the loan.

Currently only a lender that is insured by the Federal Deposit Insurance Corporation may loan funds to a beginning farmer under the program. House Bill 3239 expands the definition of lender to include anyone selling agricultural land to a beginning farmer, an institution organized under the federal Farm Credit Act, and any other person or entity defined by the Oregon Business Development Department through administrative rule.