

A-Engrossed
Senate Bill 1502

Ordered by the Senate March 3
Including Senate Amendments dated March 3

Sponsored by Senators COURTNEY, GIROD; Senators BEYER, KNOPP, MONNES ANDERSON, ROBLAN (Pre-session filed.)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure.

Establishes Agricultural Cooperative Member Low-Interest Loan Fund. Continuously appropriates moneys in fund to [*State Department of Agriculture*] **Oregon Business Development Department** for carrying out loan program.

[*Appropriates moneys from General Fund to State Department of Agriculture for deposit in Agricultural Cooperative Member Low-Interest Loan Fund for biennium ending June 30, 2021.*]

Limits payment from lottery moneys allocated from Administrative Services Economic Development Fund to department for deposit in Agricultural Cooperative Member Low-Interest Loan Fund for biennium ending June 30, 2021.

Authorizes [*State Department of Agriculture*] **department** to make loans from fund to farmers that were members of agricultural cooperative on date that cooperative initiated bankruptcy proceedings. Specifies terms of loans. **Requires State Department of Agriculture to assist with loan application evaluation if requested by Oregon Business Development Department.**

Authorizes [*State Department of Agriculture*] **Oregon Business Development Department** to delegate application processing and loan servicing to lending institutions.

Makes loan program operative January 1, 2021.

Sunsetts loan program and abolishes Agricultural Cooperative Member Low-Interest Loan Fund January 2, 2040.

Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

1
2 Relating to assistance for members of agricultural cooperative; and prescribing an effective date.

3 **Be It Enacted by the People of the State of Oregon:**

4 **SECTION 1. As used in sections 1 to 12 of this 2020 Act:**

5 (1) **“High viability crop” means a crop having a sustainable market demand that is**
6 **greater than the market demand that existed for the crop produced by a repositioning**
7 **farmer on the date in 2019 that an agricultural cooperative described in subsection (3) of this**
8 **section initiated bankruptcy proceedings.**

9 (2) **“Lending institution” means a bank, mortgage banking company, trust company,**
10 **savings bank, credit union, national banking association, federal savings and loan associ-**
11 **ation, federal credit union maintaining an office in this state, nonprofit community develop-**
12 **ment financial institution or nonprofit public benefit corporation.**

13 (3) **“Repositioning farmer” means a person that was a member of an agricultural coop-**
14 **erative doing business in Oregon on the date in 2019 that the cooperative initiated bank-**
15 **ruptcy proceedings.**

16 **SECTION 2. The Legislative Assembly declares that the purpose of sections 1 to 12 of this**
17 **2020 Act is to make low-interest loans available to help repositioning farmers in this state**
18 **transition to the production of a high viability crop.**

NOTE: Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted. New sections are in **boldfaced** type.

1 **SECTION 3.** (1) The Agricultural Cooperative Member Low-Interest Loan Fund is estab-
2 lished in the State Treasury, separate and distinct from the General Fund. Interest earned
3 by the Agricultural Cooperative Member Low-Interest Loan Fund shall be credited to the
4 fund. Moneys in the fund are continuously appropriated to the Oregon Business Development
5 Department for carrying out sections 1 to 12 of this 2020 Act.

6 (2) Moneys in the fund may, with the approval of the State Treasurer, be invested as
7 provided by ORS 293.701 to 293.857, and the earnings from such investment shall be credited
8 to the fund.

9 (3) In addition to any other purpose authorized under sections 1 to 12 of this 2020 Act,
10 the department may pay administrative expenses of the department incurred in carrying out
11 the provisions of sections 1 to 12 of this 2020 Act, including costs of investigating and pro-
12 cessing an application, developing contracts, monitoring use of grants or loans by a recipient,
13 investigating and resolving budget discrepancies, closing a loan and providing financial and
14 other assistance associated with expenditures from the fund.

15 **SECTION 4.** Notwithstanding any other law limiting expenditures, for the biennium end-
16 ing June 30, 2021, the amount of \$120,000 is established as the maximum limit for the pay-
17 ment from lottery moneys allocated from the Administrative Services Economic
18 Development Fund to the Oregon Business Development Department for business, innovation
19 and trade, for deposit in the Agricultural Cooperative Member Low-Interest Loan Fund.

20 **SECTION 5.** (1) The Oregon Business Development Department may, in the name and on
21 behalf of the state, make a loan from the Agricultural Cooperative Member Low-Interest
22 Loan Fund to a repositioning farmer for the purpose of helping the repositioning farmer to
23 transition to the production of a high viability crop. The department may issue loans from
24 the fund directly or through a lending institution.

25 (2) The total amount of loans to a single repositioning farmer from the fund may not
26 exceed \$30,000. The maximum term allowed for a loan issued from the fund is 15 years.

27 (3) Except as provided in this subsection, a loan from the fund must be secured by assets
28 of the borrower that have a security value of at least 100 percent of the loan amount. If the
29 assets of the borrower do not provide adequate security, the department may accept:

30 (a) A pledge of security from a third party; or

31 (b) Intangible property interests of the borrower, such as leases that provide a
32 mortgageable value, water rights, easements, mineral rights or royalties.

33 (4) The department may not make or approve a loan from the fund after December 31,
34 2025.

35 **SECTION 6.** (1) The Oregon Business Development Department may enter into an
36 agreement with a lending institution under which the lending institution:

37 (a) Receives and reviews applications for loans from the Agricultural Cooperative Mem-
38 ber Low-Interest Loan Fund; or

39 (b) Processes or services loans from the fund.

40 (2) Contracts entered into under this section are exempt from the requirements of ORS
41 279.835 to 279.855 and ORS chapters 279A, 279B and 279C regarding personal services con-
42 tracts.

43 (3) An agreement under this section must:

44 (a) Require the lending institution to disburse to an approved borrower moneys for-
45 ward by the department for a borrower's loan;

1 **(b) Require that the lending institution pay to the department any moneys collected by**
2 **the lending institution as payments on principal and interest for the loan; and**

3 **(c) State the compensation to be paid to the lending institution for services under the**
4 **agreement.**

5 **SECTION 7. (1) If a lending institution described in section 6 of this 2020 Act receives**
6 **and reviews a loan application, the lending institution shall provide the Oregon Business**
7 **Development Department with a recommendation regarding whether the loan application**
8 **should be approved or disapproved. The department shall retain authority to approve or dis-**
9 **approve a loan application. If the department disapproves a loan application. The State De-**
10 **partment of Agriculture shall, upon the request of the Oregon Business Development**
11 **Department, assist in the evaluation of loan applications by the Oregon Business Develop-**
12 **ment Department. If the Oregon Business Development Department disapproves a loan ap-**
13 **plication, the department shall:**

14 **(a) Notify the lending institution and the loan applicant; and**

15 **(b) State one or more reasons for the disapproval.**

16 **(2) If a lending institution recommends disapproval of a loan application, the department**
17 **may decide to make the loan under section 8 of this 2020 Act.**

18 **(3) If the department approves a loan application, the department shall transfer an**
19 **amount equal to the approved loan from the Agricultural Cooperative Member Low-Interest**
20 **Loan Fund to the lending institution.**

21 **(4) The department shall cause moneys that a lending institution collects and pays to the**
22 **department under section 6 (3) of this 2020 Act, or that the department receives or recovers**
23 **under section 9 (3) of this 2020 Act, to be deposited to the credit of the General Fund.**

24 **SECTION 8. (1) If the Oregon Business Development Department receives a loan appli-**
25 **cation and decides not to make the loan, the department shall:**

26 **(a) Notify the loan applicant; and**

27 **(b) State one or more reasons for deciding not to make the loan.**

28 **(2) If the department receives a loan application and decides to make the loan, the de-**
29 **partment shall transfer an amount equal to the approved loan from the Agricultural Coop-**
30 **erative Member Low-Interest Loan Fund to the borrower.**

31 **(3) The department shall cause moneys collected by the department as payments on**
32 **principal and interest for a loan, or that the department receives or recovers under section**
33 **9 (3) of this 2020 Act, to be deposited to the credit of the General Fund.**

34 **SECTION 9. (1) The borrower of a loan funded by moneys from the Agricultural Cooper-**
35 **ative Member Low-Interest Loan Fund shall use the loan proceeds only for the purpose of**
36 **transitioning to the production of a high viability crop on the repositioning farmer's existing**
37 **farm.**

38 **(2) Receipt of a loan from the fund does not disqualify the borrower from participating**
39 **in any other loan program funded with state moneys.**

40 **(3) If the Oregon Business Development Department determines that a borrower has vi-**
41 **olated subsection (1) of this section, the department may:**

42 **(a) Declare that the borrower is in default and immediately require repayment to the**
43 **department of the unpaid balance of the loan; and**

44 **(b) Commence any action or proceeding necessary to recover for the state the unpaid**
45 **balance of the loan or any property obtained with the loan moneys.**

1 **SECTION 10.** The Oregon Business Development Department may adopt rules to period-
2 ically prescribe the interest rate for loans from the Agricultural Cooperative Member Low-
3 Interest Loan Fund, taking into consideration the solvency of the loan program and the
4 interest rates in effect for farm-related loans made or guaranteed by the federal government.
5 The department may, in its discretion, limit the application of a new interest rate to loans
6 made on or after the date on which the new interest rate is adopted.

7 **SECTION 11.** A right, payment or proceed of a loan from the Agricultural Cooperative
8 Member Low-Interest Loan Fund:

9 (1) Is not subject to garnishment, attachment or execution or the claim of any creditor;
10 and

11 (2) May be assigned only as provided by Oregon Business Development Department rules.

12 **SECTION 12.** (1) The Legislative Assembly declares that it is the policy of the State of
13 Oregon to make a reasonable attempt not to foreclose on a loan from the Agricultural Co-
14 operative Member Low-Interest Loan Fund if the borrower is unable to make loan payments
15 due to illness, injury, death or involuntary job loss, or due to economic stress resulting from
16 factors beyond the borrower's control.

17 (2) The Oregon Business Development Department may adopt rules to implement the
18 policy declared in subsection (1) of this section. After considering effects on the solvency of
19 the loan program, the department may authorize:

20 (a) A temporary reduction of loan payments; or

21 (b) Another solution agreed to by the borrower and the department.

22 **SECTION 13.** (1) Sections 1 to 12 of this 2020 Act become operative on January 1, 2021.

23 (2) The Oregon Business Development Department may adopt rules or take any actions
24 before the operative date specified in subsection (1) of this section that are necessary to
25 enable to department, on and after the operative date specified in subsection (1) of this sec-
26 tion, to carry out the provisions of sections 1 to 12 of this 2020 Act.

27 **SECTION 14.** (1) Sections 1 to 12 of this 2020 Act are repealed on January 2, 2040.

28 (2) Any moneys in the Agricultural Cooperative Member Low-Interest Loan Fund that
29 are unexpended and unobligated on January 2, 2040, transfer to the General Fund.

30 **SECTION 15.** This 2020 Act takes effect on the 91st day after the date on which the 2020
31 regular session of the Eightieth Legislative Assembly adjourns sine die.

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