

FISCAL IMPACT OF PROPOSED LEGISLATION

Measure: SB 892

81st Oregon Legislative Assembly – 2021 2nd Special Session
Legislative Fiscal Office

*Only Impacts on Original or Engrossed
Versions are Considered Official*

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Measure Description:

Directs State Department of Agriculture to establish forgivable loan program to provide financial assistance to farming and ranching producers in Oregon with lost gross farm income in calendar year 2021 due to qualifying natural disaster.

Government Unit(s) Affected:

Confederated Tribes of Grand Ronde, Confederated Tribes of Siletz, Confederated Tribes of Warm Springs and Coquille Indian Tribe, Department of Administrative Services (DAS), Oregon Business Development Department (OBDD), Oregon Department of Agriculture (ODA)

Summary of Fiscal Impact:

Costs related to the measure are indeterminate at this time - See explanatory analysis.

Analysis:

SB 892 establishes a forgivable loan program within the Oregon Department of Agriculture (ODA), for farmers and ranchers impacted by natural disasters in the past year. ODA is authorized to contract with lending institutions for program administration; lending institutions are defined as third-party legal entities licensed to conduct business in Oregon. They must be approved to participate in the guaranteed farm loan programs of the Farm Service Agency of the U.S. Department of Agriculture and be able to demonstrate the capability and expertise necessary to administer the forgivable loan program.

Loans may not exceed \$125,000; or, if a recipient qualifies as a historically underserved producer or has less than \$350,000 in gross farm income in calendar year 2021, the loan may not exceed \$150,000. Loans are forgivable in full unless the combined total of a recipient's gross farm income for 2021, loans received under this program, and federal disaster payments received will exceed certain levels. In that case, a loan recipient must repay the amount of money necessary to cause their aggregate income to fall below certain levels; or must repay the full amount of the loan. Payments must be remitted to lending institutions by June 1, 2023. Lending institutions must transfer all remaining and repaid funds to ODA by June 30, 2023.

This measure establishes the Oregon Agricultural Disaster Relief Fund which is continuously appropriated to ODA for distribution under the forgivable loan program. Of the funds appropriated during the 2021 Second Special Session for deposit in the Oregon Agricultural Disaster Relief Fund, 14 percent- excluding administrative costs- are to be made available in Jefferson County. All moneys remaining in the fund on June 30, 2023 are to be deposited in the General Fund.

This program sunsets on July 1, 2023. ODA is directed to report to the interim committees of the Legislative Assembly related to agriculture on the implementation and results of the program no later than September 15, 2023. This measure declares an emergency and takes effect on passage.

The total fiscal impact of this measure is indeterminate, since this measure does not require that the forgivable loan program be funded at a certain level. However, the omnibus budget bill for the 2021 Second Special Session includes \$40 million General Fund to seed this program. Should the omnibus bill pass in its current form, ODA

assumes that \$36 million of these funds would go out as loans, while approximately \$4 million, or 10 percent of the funding total, would be used for program administration. At this funding level, a minimum of 288 loans could be disbursed; this estimate assumes that all loans are funded to the maximum level of \$125,000, so the total number of loans made is likely to vary.

ODA will need to conduct rulemaking around this program, develop loan documents and procedures, and contract with lending institutions with a goal of beginning to accept loan applications in spring 2022. ODA anticipates that administration of this program will require four new limited-duration positions (3.00 FTE) for the 2021-23 biennium. This includes an Operations and Policy Analyst 3 to work on rulemaking, communications, and program coordination; a Program Analyst 3 to work on grant agreements, documentation, and review processes for payments; an Administrative Specialist 1 to provide administrative and customer support; and an Accountant 3 to work with financial institutions. Total Personal Services costs are estimated at \$561,668 General Fund. Each position is assumed at 0.75 FTE (meaning a January 2022 start date), though it may be difficult for ODA to hire positions on this short of a timeline. The agency anticipates using job rotations, direct appointments, and other methods to get program staffing in place as soon as possible.

Services and Supplies costs are estimated at \$3,438,332 General Fund, which includes position-related Services and Supplies, Department of Justice costs, lender costs including loan or origination fees, other banking and transaction costs, and contracting and oversight costs to include auditing. ODA notes that this is a best estimate given that they do not have experience in loan administration and have not yet developed contracts with lending institutions. Any unexpended administrative funds will be put towards additional loans.

There are no costs anticipated in the 2023-25 biennium, as reporting requirements are expected to be absorbed by existing staff.

There is no fiscal impact for the Oregon Business Development Department and an indeterminate impact for the Department of Administrative Services (DAS). Both are directed to assist ODA with this program upon request. DAS notes that there could be a fiscal impact based on the type and extent of assistance they provide to ODA, which could include resources such as procurement and contracting.