

SENATE BILL REPORT

SB 5092

As Reported By Senate Committee On:
Agriculture & Rural Economic Development, February 22, 2005

Title: An act relating to the beginning farmers loan program.

Brief Description: Creating a beginning farmers loan program.

Sponsors: Senator Jacobsen.

Brief History:

Committee Activity: Agriculture & Rural Economic Development: 2/3/05, 2/22/05 [DPS].

SENATE COMMITTEE ON AGRICULTURE & RURAL ECONOMIC DEVELOPMENT

Majority Report: That Substitute Senate Bill No. 5092 be substituted therefor, and the substitute bill do pass.

Signed by Senators Rasmussen, Chair; Shin, Vice Chair; Schoesler, Ranking Minority Member; Delvin, Jacobsen, Morton and Sheldon.

Staff: Bob Lee (786-7404)

Background: The Housing Finance Commission provides a range of loan programs utilizing tax exempt bonds. The tax savings allows the lenders to provide loans at a reduced interest rate to qualified borrowers. The amount of tax exempt bonds that may be issued by a state is limited by federal law.

Several states utilize tax exempt bonds to operate loan programs for beginning farmers. The parameters of the program that may be offered using tax exempt bonds are set by the federal tax code. These parameters include that: the bond funds may be used to purchase land, equipment and livestock; the land must be used for farming purposes; tax exempt bonds are issued as private placements with banks; lending decisions are made by banks which take the risk; loans are limited to a maximum of \$250,000; borrowers must be first-time farmers and actively farm the land; and land may be purchased from a related person as long as the related person does not have a financial interest in the farming operation after acquisition.

Summary of Substitute Bill: The Washington State Housing Finance Commission may develop and implement a program to provide financing for beginning farmers. Eligibility criteria must be established that will enable the commission to choose applicants who are likely to repay loans made or acquired by the commission and funded from the proceeds of commission bonds.

Substitute Bill Compared to Original Bill: The original bill requires the program be established. The substitute bill provides authority for the commission to develop and implement the program.

The requirement in the original bill that 1 percent of the authorized limit on indebtedness of the commission be used for beginning farmer loans is deleted in the substitute.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: Threats to agriculture from globalization is deterring people from entering farming. It is hard for beginning farmers to obtain credit at rates that allows them to get started. The FarmLink program is concerned with the next generation and 150 beginning farmers are enrolled in the program. 80 percent of these beginning farmers need credit. Ranching is capital intensive. This bill will help younger folks that have a keen interest in agriculture get started. Providing avenues to help small farmers will protect agricultural lands. This program does not involve the use of state funds.

Testimony Against: None.

Who Testified: PRO: Don Stuart, American Farmland Trust; Mary Embleton, Cascade Harvest Coalition and Washington Farmlink; Kim Herman, and Tia Bycheff, Washington State Housing Finance Commission; Jonathan Hayes, Washington Economic Development Finance Authority; Jack Field, Washington Cattlemen's Association.