

SELECT COMMITTEE ON ECONOMIC DEVELOPMENT

HOUSE OF REPRESENTATIVES

48TH LEGISLATURE

ATTENDANCE

DATE: March 24, 1983

Excutive Session

ROOM: 224 A

| | PRESENT | ABSENT | OTHER |
|----------------------------|---------|--------|---------|
| VINCENT, John - Chairman | X | | |
| SCHYE, Ted - Vice-Chairman | X | | |
| ASAY, Tom | | | EXCUSED |
| DARKO, Paula | X | | |
| FABREGA, Jay | X | | |
| FAGG, Harrison | | | EXCUSED |
| HANSEN, Stella Jean | X | | |
| HARPER, Hal | X | | |
| HARRINGTON, Dan | X | | |
| METCALF, Jerry | X | | |
| NEUMAN, Ted | X | | |
| RAMIREZ, Jack | | | EXCUSED |
| VINGER, Orren | X | | |

EXECUTIVE SESSION OF SELECT COMMITTEE ON

ECONOMIC DEVELOPMENT - MARCH 24, 1983

CHAIRMAN VINCENT called the meeting to order at 7:07 a.m. in Room 224A. Representatives Ramirez, Fagg and Asay were excused.

DISPOSITION OF SENATE BILL 316

The Department of Agriculture proposed three amendments and a new Statement of Intent. The amendments would expand the Agricultural Loan Authority from eight members to nine members to include the Director of the Department of Agriculture. Senator Tom Towe, sponsor of the bill, had no objections to these amendments.

HARPER moved the amendments.

- (1) Page 2, line 15
Following: "of"
Strike: "eight"
Insert: "nine"
- (2) Page 2, line 22
Following: "association;"
Strike: "and"
- (3) Page 2, line 23
Following: line 22
Insert: "(f) the director of the department of agriculture; and"
Renumber: subsequent subsection

Motion carried unanimously.

Discussion was opened on proposed Statement of Intent. Senator Towe said that the present Statement of Intent was the same as the one used last session on a similar bill, which did not pass, and is now obsolete. He had no objections to the proposed Statement.

HARPER moved to strike the Senate Statement of Intent in its entirety and replace it with the Statement proposed by the Department of Agriculture.

Motion carried unanimously.

METCALF moved Senate Bill 316, AS AMENDED, BE CONCURRED IN.

Motion carried unanimously.

Senator Towe said Representative Neuman would carry the bill in the House.

DISPOSITION OF HOUSE BILL 865

FABREGA moved that House Bill 865 BE TABLED.

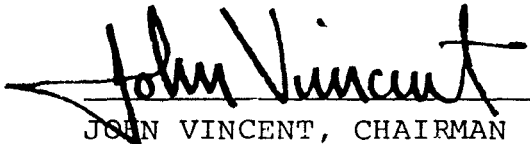
Motion carried unanimously.

DISPOSITION OF HOUSE BILL 709

FABREGA moved that House Bill 709 BE TABLED.

Motion carried unanimously.

CHAIRMAN VINCENT informed members that there would be another meeting on Saturday morning at 7:45 a.m. to take executive action on House Bill 1, and adjourned the meeting at 7:50 a.m.


JOHN VINCENT, CHAIRMAN


JOYCE ANDRUS, SECRETARY

STANDING COMMITTEE REPORT

March 24

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Speaker

MR.

Select

Economic Development

We, your committee on

Senate

having had under consideration Bill No. **316**

third

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A BILL FOR AN ACT ENTITLED: "AN ACT TO HELP FARMERS AND RANCHERS OBTAIN CREDIT AT LOWER INTEREST RATES FOR AGRICULTURAL PURPOSES; TO CREATE THE MONTANA AGRICULTURAL LOAN AUTHORITY; TO PROVIDE AN INCOME TAX DEDUCTION FOR CERTAIN LAND SALES TO BEGINNING FARMERS; AND TO PROVIDE FOR LEGISLATIVE REVIEW."

Senate

Respectfully report as follows: That Bill No. **316**

BE AMENDED AS FOLLOWS:

- (1) Page 2, line 15
Following: "of"
Strike: "eight"
Insert: "nine"
- (2) Page 2, line 22
Following: "association;"
Strike: "and"
- (3) Page 2, line 23
Following: line 22
Insert: "(f) the director of the department of agriculture; and"
Renummer: subsequent subsection

~~XXXXXX~~
DO PASS

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Strike: Senate Statement of Intent in its entirety
Insert:

***STATEMENT OF INTENT**

Section 1. It is the specific intent of the legislature that the Montana Agricultural Loan Authority should operate in the same manner that the Iowa Loan Authority has operated for the last 13 months in the state of Iowa. Each loan is processed individually by a bank or other financial institution. The loans can be for farmland acquisition or for purchase or construction of depreciable property (farm equipment or farm buildings). The bank or other financial institution initially approves the loan and agrees to accept the credit risk. It then sends an application to the Montana Agricultural Loan Authority in the exact amount and the money is made available to fund the loan.

Thus, the entire transaction is treated identical with any other bank loan to a farmer except that the bank or other financial institution is able to obtain municipal bond tax exemption for the interest income. The bank or other financial institution loan is, in effect, converted to a municipal bond and held in the bank's municipal bond tax exempt portfolio.

Section 2. It is the intent of the legislature that the Montana Agricultural Loan Authority created by this bill will not make direct loans. They will acquire existing loans already made and approved by a local financial institution only. It is also the specific intent of the legislature that the state of Montana would have no financial risk on any of these loans. Whoever purchases the bonds will take the full risk that the loan that secures payment of each bond will be repaid.

Section 3. It is the specific intent of the legislature that the Montana Agricultural Loan Authority would charge a one time fee for issuing the bonds which fee shall not exceed the maximum amount authorized by the federal internal revenue code with regard to tax-exempt bond issues. It is the intent of the legislature that the fee would be sufficient to pay the cost of bond counsel to review and approve each bond issue and all other administrative costs of the Montana Agricultural Loan Authority.

Section 4. This Statement of Intent is required by the amending authority granted to the Montana Agricultural Loan Authority in Section 4 and Section 8. Further, rules are contemplated for determining the procedure for granting approval by the Montana Agricultural Loan Authority and the procedure for verification by the Department of Revenue under Section 23.

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Section 5. It is the intent of the legislature that the Montana Agricultural Loan Authority adopt rules for the orderly handling and processing of applications under the authority granted in this Act to issue bonds secured by farm loans. The rules under Section 8 are intended to be sufficiently specific to allow for an objective determination by the Montana Agricultural Loan Authority of which applicants should receive approval of farm acquisition bonds from the authority. The same criteria should be established by rule for depreciable property loans with special emphasis on the need of the applicant and the applicant's possible prospects for success.

Section 6. The criteria for determining a bonafide beginning farmer in connection with the approval of the tax credit application by retiring farmers as provided in Section 23 shall be established by rule. The same requirements for establishing eligibility under Section 8 should be used under Section 23."

AND AS AMENDED
BE CONCURRED IN