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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE No. 666

February 5, 2007

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The bill was read for the first time and referred to the Committee on Agriculture, Rural Economies and Veterans Affairs

March 21, 2007

Committee Recommendation and Adoption of Report:

To Pass as Amended and re-referred to the Committee on Finance

1.1 A bill for an act
1.2 relating to agriculture; establishing a dairy animal revolving loan program;
1.3 appropriating money; amending Minnesota Statutes 2006, section 41B.06;
1.4 proposing coding for new law in Minnesota Statutes, chapter 41B.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. **[41B.056] DAIRY ANIMAL REVOLVING LOAN PROGRAM.**

1.7 Subdivision 1. **Establishment.** Upon receipt by the authority of at least \$2,000,000
1.8 in matching contributions from private, federal, or other nonstate sources for the purposes
1.9 of this program, the authority must establish and implement a dairy animal revolving loan
1.10 program to help Minnesota dairy producers purchase additional dairy animals.

1.11 Subd. 2. **Eligibility.** Notwithstanding section 41B.03, to be eligible for this program
1.12 a borrower must:

1.13 (1) be a resident of Minnesota or any entity eligible to own farm land under section
1.14 500.24, subdivision 2;

1.15 (2) be a producer who has not received payments from a dairy cooperative or other
1.16 consortium of dairy producers in exchange for participating in a milk supply management
1.17 program;

1.18 (3) demonstrate that the loan will be used to finance the purchase of dairy heifers
1.19 and cows, resulting in an increase in the borrower's annual level of milk production; and

1.20 (4) demonstrate an ability to repay the loan.

1.21 Subd. 3. **Loans.** (a) The authority may participate in a loan with an eligible lender
1.22 to a borrower who is eligible under subdivision 2. The authority's participation interest in
1.23 a loan from an eligible lender must be no more than 45 percent of the principal amount of
1.24 the loan, up to a maximum of \$500 per dairy heifer or cow for up to 200 dairy heifers or

2.1 cows, or \$100,000 per borrower. Repayment terms of the authority's participation interest
2.2 may differ from repayment terms of the lender's retained portion of the loan. The authority
2.3 must make a good faith effort to award at least 60 percent of the loan participations in any
2.4 calendar year to eligible borrowers demonstrating a total net worth, including assets and
2.5 liabilities of the borrower's spouse and dependents, of less than \$382,000 in 2007 and an
2.6 amount in subsequent years which is adjusted for inflation by multiplying that amount by
2.7 the cumulative inflation rate as determined by the Consumer Price Index.

2.8 (b) The authority's participation interest in a loan from an eligible lender must be for
2.9 a term of seven years. Borrowers must not be required to make any payment of principal
2.10 or interest in the first year of the loan. In the second year, the borrower must be required to
2.11 pay only any accrued interest. The authority must amortize the loan over the remaining
2.12 five years so that the borrower is required to make equal payments, including principal
2.13 and interest, in each of the final five years.

2.14 (c) The authority must establish an appropriate interest rate for the initial dairy
2.15 animal loans and may review and adjust the interest rate annually as necessary. The
2.16 authority must make a good faith effort to set the interest rate at no more than three percent.

2.17 (d) Refinancing of existing debt is not an eligible purpose.

2.18 (e) A loan participation under this program must be made using money in the
2.19 revolving loan account established in section 41B.06.

2.20 (f) Security for the loans must be a personal note executed by the borrower and
2.21 whatever other security is required by the authority.

2.22 (g) The authority may impose a reasonable, nonrefundable application fee for a
2.23 dairy animal loan. The authority may review the fee annually and make adjustments as
2.24 necessary. The initial application fee is \$50. Application fees received by the authority
2.25 must be deposited in the revolving loan account established in section 41B.06.

2.26 (h) Should the authority find that there is a persistent lack of interest in the dairy
2.27 animal revolving loan program as evidenced by a dearth of new applicants, the authority
2.28 shall terminate the program and refund any contribution paid by private persons for use in
2.29 the dairy animal revolving loan program. When loan proceeds are not sufficient to repay
2.30 in full all private persons that contributed, the authority shall make prorated payments to
2.31 the private persons proportionate to each person's contribution to all program funds raised
2.32 from private sources. The total amount paid by the authority to a private person may not
2.33 exceed the amount the person contributed to the authority for the dairy animal revolving
2.34 loan program and shall not include any interest paid by a borrower on a dairy animal
2.35 loan or any interest earned by the authority while private funds are deposited in the rural
2.36 finance authority revolving loan account. For the purposes of this section, "private person"

3.1 means any individual, firm, corporation, company, association, cooperative, or partnership
3.2 and includes any trustee, receiver, assignee, or other similar representative thereof.

3.3 Subd. 4. **Deposit of repayments.** All repayments of financial assistance granted
3.4 under this section, including principal and interest, must be deposited into the revolving
3.5 loan account established in section 41B.06.

3.6 Sec. 2. Minnesota Statutes 2006, section 41B.06, is amended to read:

3.7 **41B.06 RURAL FINANCE AUTHORITY REVOLVING LOAN ACCOUNT.**

3.8 There is established in the rural finance administration fund a Rural Finance
3.9 Authority revolving loan account that is eligible to receive appropriations and the transfer
3.10 of loan funds from other programs. All repayments of financial assistance granted
3.11 from this account, including principal and interest, must be deposited into this account.
3.12 Interest earned on money in the account accrues to the account, and the money in the
3.13 account is appropriated to the commissioner of agriculture for purposes of the Rural
3.14 Finance Authority dairy animal, livestock equipment, methane digester, and value-added
3.15 agricultural product loan programs, including costs incurred by the authority to establish
3.16 and administer the programs.

3.17 Sec. 3. **APPROPRIATION.**

3.18 \$2,000,000 is appropriated in fiscal year 2007 from the general fund to the
3.19 commissioner of agriculture to administer the loan program in section 1. If \$2,000,000 in
3.20 nonstate funds have not been contributed by June 30, 2009, the commissioner shall remit
3.21 the \$2,000,000 appropriated under this section, plus any accumulated interest, to the
3.22 commissioner of finance for deposit in the general fund.

3.23 Sec. 4. **EFFECTIVE DATE.**

3.24 Sections 1 to 3 are effective the day following final enactment.