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State of Minnesota

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103

HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH SESSION

HOUSE FILE No. 1639

March 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

Read Second Time

1.1 A bill for an act
1.2 relating to agriculture; changing certain provisions of the best management
1.3 practices loan program; amending Minnesota Statutes 2006, section 17.117,
1.4 subdivisions 1, 4, 11.

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

1.6 Section 1. Minnesota Statutes 2006, section 17.117, subdivision 1, is amended to read:

1.7 Subdivision 1. Purpose. The purpose of the agriculture best management practices
1.8 loan program is to provide low or no interest financing to farmers, agriculture supply
1.9 businesses, and rural landowners, and water-quality cooperatives for the implementation
1.10 of agriculture and other best management practices that reduce environmental pollution.

1.11 Sec. 2. Minnesota Statutes 2006, section 17.117, subdivision 4, is amended to read:

1.12 Subd. 4. Definitions. (a) For the purposes of this section, the terms defined in this
1.13 subdivision have the meanings given them.

1.14 (b) "Agricultural and environmental revolving accounts" means accounts in the
1.15 agricultural fund, controlled by the commissioner, which hold funds available to the
1.16 program.

1.17 (c) "Agriculture supply business" means a person, partnership, joint venture,
1.18 corporation, limited liability company, association, firm, public service company,
1.19 or cooperative that provides materials, equipment, or services to farmers or
1.20 agriculture-related enterprises.

1.21 (d) "Allocation" means the funds awarded to an applicant for implementation of best
1.22 management practices through a competitive or noncompetitive application process.

2.1 (e) "Applicant" means a local unit of government eligible to participate in this  
2.2 program that requests an allocation of funds as provided in subdivision 6b.

2.3 (f) "Best management practices" has the meaning given in sections 103F.711,  
2.4 subdivision 3, and 103H.151, subdivision 2, or other practices, techniques, and measures  
2.5 that have been demonstrated to the satisfaction of the commissioner to prevent or reduce  
2.6 adverse environmental impacts by using the most effective and practicable means of  
2.7 achieving environmental goals.

2.8 (g) "Borrower" means a farmer, an agriculture supply business, or a rural landowner  
2.9 applying for a low-interest loan.

2.10 (h) "Commissioner" means the commissioner of agriculture, including when the  
2.11 commissioner is acting in the capacity of chair of the Rural Finance Authority, or the  
2.12 designee of the commissioner.

2.13 (i) "Committed project" means an eligible project scheduled to be implemented at  
2.14 a future date:

2.15 (1) that has been approved and certified by the local government unit; and

2.16 (2) for which a local lender has obligated itself to offer a loan.

2.17 (j) "Comprehensive water management plan" means a state approved and locally  
2.18 adopted plan authorized under section 103B.231, 103B.255, 103B.311, 103C.331,  
2.19 103D.401, or 103D.405.

2.20 (k) "Cost incurred" means expenses for implementation of a project accrued because  
2.21 the borrower has agreed to purchase equipment or is obligated to pay for services or  
2.22 materials already provided as a result of implementing ~~a prior~~ an approved eligible project.

2.23 (l) "Farmer" means a person, partnership, joint venture, corporation, limited liability  
2.24 company, association, firm, public service company, or cooperative that regularly  
2.25 participates in physical labor or operations management of farming and files a Schedule F  
2.26 as part of filing United States Internal Revenue Service Form 1040 or indicates farming as  
2.27 the primary business activity under Schedule C, K, or S, or any other applicable report to  
2.28 the United States Internal Revenue Service.

2.29 (m) "Lender agreement" means an agreement entered into between the commissioner  
2.30 and a local lender which contains terms and conditions of participation in the program.

2.31 (n) "Local government unit" means a county, soil and water conservation district,  
2.32 or an organization formed for the joint exercise of powers under section 471.59 with  
2.33 the authority to participate in the program.

2.34 (o) "Local lender" means a local government unit as defined in paragraph (n), a state  
2.35 or federally chartered bank, a savings association, a state or federal credit union, Agribank

3.1 and its affiliated organizations, or a nonprofit economic development organization or other  
3.2 financial lending institution approved by the commissioner.

3.3 (p) "Local revolving loan account" means the account held by a local government  
3.4 unit and a local lender into which principal repayments from borrowers are deposited and  
3.5 new loans are issued in accordance with the requirements of the program and lender  
3.6 agreements.

3.7 (q) "Nonpoint source" has the meaning given in section 103F.711, subdivision 6.

3.8 (r) "Program" means the agriculture best management practices loan program  
3.9 in this section.

3.10 (s) "Project" means one or more components or activities located within Minnesota  
3.11 that are required by the local government unit to be implemented for satisfactory  
3.12 completion of an eligible best management practice.

3.13 (t) "Rural landowner" means the owner of record of Minnesota real estate located  
3.14 in an area determined by the local government unit to be rural after consideration of  
3.15 local land use patterns, zoning regulations, jurisdictional boundaries, local community  
3.16 definitions, historical uses, and other pertinent local factors.

3.17 (u) "Water-quality cooperative" has the meaning given in section 115.58, paragraph  
3.18 (d), except as expressly limited in this section.

3.19 Sec. 3. Minnesota Statutes 2006, section 17.117, subdivision 11, is amended to read:

3.20 Subd. 11. **Loans issued to borrower.** (a) Local lenders may issue loans only for  
3.21 projects that are approved and certified by the local government unit as meeting priority  
3.22 needs identified in a comprehensive water management plan or other local planning  
3.23 documents, are in compliance with accepted practices, standards, specifications, or  
3.24 criteria, and are eligible for financing under Environmental Protection Agency or other  
3.25 applicable guidelines.

3.26 (b) The local lender may use any additional criteria considered necessary to  
3.27 determine the eligibility of borrowers for loans.

3.28 (c) Local lenders shall set the terms and conditions of loans to borrowers, except that:

3.29 (1) no loan to a borrower may exceed ~~\$50,000~~ \$100,000;

3.30 (2) no loan for a project may exceed ~~\$50,000~~ \$100,000; and

3.31 (3) no borrower shall, at any time, have multiple loans from this program with a total  
3.32 outstanding loan balance of more than ~~\$50,000~~ \$100,000.

3.33 (d) ~~The maximum term length for conservation tillage projects is five years.~~ The  
3.34 maximum term length for ~~other~~ projects in this paragraph is ten years.

4.1 ~~(c) Notwithstanding paragraph (c), a local lender may issue a loan of up to \$100,000~~  
4.2 ~~for a community sewage treatment system serving two or more households.~~

4.3 ~~(f)~~ (e) Fees charged at the time of closing must:

4.4 (1) be in compliance with normal and customary practices of the local lender;

4.5 (2) be in accordance with published fee schedules issued by the local lender;

4.6 (3) not be based on participation program; and

4.7 (4) be consistent with fees charged other similar types of loans offered by the local  
4.8 lender.

4.9 ~~(g)~~ (f) The interest rate assessed to an outstanding loan balance by the local lender  
4.10 must not exceed three percent per year.