

HOUSE BILL NO. 631

INTRODUCED BY Z. BROWN

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4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE MONTANA GROWTH THROUGH AGRICULTURE
5 ACT BY CREATING THE MONTANA FARMER LOAN REPAYMENT ASSISTANCE PROGRAM; REQUIRING
6 THE MONTANA AGRICULTURE DEVELOPMENT COUNCIL TO ADMINISTER THE PROGRAM; PROVIDING
7 ELIGIBILITY REQUIREMENTS; REQUIRING CERTAIN DOCUMENTATION FROM APPLICANTS; PROVIDING
8 PRIORITIZATION CRITERIA FOR FUNDING; PROVIDING DEFINITIONS; PROVIDING RULEMAKING
9 AUTHORITY; PROVIDING AN APPROPRIATION; AMENDING SECTIONS 15-35-108, 90-9-102, 90-9-103,
10 90-9-202, 90-9-203, 90-9-301, AND 90-9-306, MCA; AND PROVIDING AN EFFECTIVE DATE AND A
11 TERMINATION DATE."

12
13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

14
15 NEW SECTION. **Section 1. Montana farmer loan repayment assistance program.** There is a
16 Montana farmer loan repayment assistance program administered by the council in consultation with the
17 cooperative extension service of the Montana university system. The program must provide for the direct
18 repayment of educational loans of eligible farmers in accordance with the rules adopted by the council pursuant
19 to 90-9-203 to implement [sections 1 through 5].

20
21 NEW SECTION. **Section 2. Eligibility -- amount of loan repayment assistance.** (1) A farmer is
22 qualified for loan repayment assistance if the farmer:

- 23 (a) is a resident of Montana whose primary occupation is to operate a farm;
- 24 (b) has graduated from a unit of the Montana university system with an associate degree or a
25 baccalaureate degree;
- 26 (c) has undertaken the primary occupation of operating a farm within the applicable time period specified
27 in 90-9-103(8)(c); and
- 28 (d) intends to operate the farm for at least 5 years after applying for loan repayment assistance pursuant
29 to [sections 1 through 5].

30 (2) A farmer who is qualified pursuant to subsection (1) is eligible for loan repayment assistance for up

1 to a maximum of 5 years.

2 (3) The total amount of loan repayment assistance a qualified farmer is eligible for may not exceed 50%
3 of the total amount of educational loans outstanding on the date of the application for loan repayment assistance.
4 The total amount of loan repayment assistance must be divided by 5 and paid out in equal installments over the
5 5-year period of eligibility.

6 (4) The council may require a qualified farmer to provide documentation that the farmer has exhausted
7 repayment assistance from other federal, state, or local loan forgiveness, discharge, or repayment incentive
8 programs.

9

10 **NEW SECTION. Section 3. Payments to be made directly to educational loan servicer.** (1) In
11 administering the Montana farmer loan repayment assistance program, the council shall ensure the payments
12 on behalf of a qualified farmer are paid directly to the educational loan servicer.

13 (2) A qualified farmer may choose whether the council makes one annual payment or 12 monthly
14 payments to the educational loan servicer for each year of a qualified farmer's eligibility for loan repayment
15 assistance.

16

17 **NEW SECTION. Section 4. Loan repayment assistance documentation.** A qualified farmer shall
18 submit an application for loan repayment assistance to the council in accordance with rules adopted by the
19 council. The application must include official verification or proof of the applicant's total unpaid accumulated
20 educational loan debt and other documentation required by the council that is necessary to verify the applicant's
21 eligibility.

22

23 **NEW SECTION. Section 5. Funding -- priorities.** If the funding for [sections 1 through 5] in any year
24 is less than the total amount of loan repayment assistance for which farmers qualify, the council shall work with
25 the cooperative extension service of the Montana university system to develop a method to prioritize loan
26 repayment assistance to applicants. In developing a prioritization method, the council shall consider giving priority
27 to applicants:

28 (1) with the greatest financial need;

29 (2) who are most likely to successfully continue operating a farm based on factors including an
30 applicant's interest in farming, training, experience, business plan, and relationship with a mentor;

- 1 (3) who own or are working toward ownership of a farm;
- 2 (4) who operate farms that employ sustainable best practices for farming that are identified in the list of
- 3 approved conservation enhancements and practices under the conservation stewardship program of the U.S.
- 4 department of agriculture; and
- 5 (5) are members of groups that are underrepresented in farming in Montana.

6

7 **Section 6.** Section 15-35-108, MCA, is amended to read:

8 **"15-35-108. (Temporary) Disposal of severance taxes.** Severance taxes collected under this chapter

9 must, in accordance with the provisions of 17-2-124, be allocated as follows:

10 (1) Fifty percent of total coal severance tax collections is allocated to the trust fund created by Article IX,

11 section 5, of the Montana constitution. The trust fund money must be deposited in the fund established under

12 17-6-203(6) and invested by the board of investments as provided by law.

13 (2) The amount of 12% of coal severance tax collections is allocated to the long-range building program

14 account established in 17-7-205.

15 (3) (a) The amount of 5.46% must be credited to an account in the state special revenue fund to be

16 allocated by the legislature for provision of basic library services for the residents of all counties through library

17 federations and for payment of the costs of participating in regional and national networking, conservation

18 districts, and the Montana Growth Through Agriculture Act. Expenditures of the allocation may be made only from

19 this account. ~~Money~~ Except as provided in subsection (3)(b), money may not be transferred from this account

20 to another account other than the general fund. Any unreserved fund balance at the end of each fiscal year must

21 be deposited in the general fund.

22 (b) The amount allocated for the Montana Growth Through Agriculture Act must be transferred from the

23 account in subsection (3)(a) to the account provided for in 90-9-301.

24 (4) The amount of 1.27% must be allocated to a permanent fund account for the purpose of parks

25 acquisition or management. Income from this permanent fund account, excluding unrealized gains and losses,

26 must be appropriated for the acquisition, development, operation, and maintenance of any sites and areas

27 described in 23-1-102.

28 (5) The amount of 0.95% must be allocated to the debt service fund type to the credit of the renewable

29 resource loan debt service fund.

30 (6) The amount of 0.63% must be allocated to a trust fund for the purpose of protection of works of art

1 in the capitol and for other cultural and aesthetic projects. Income from this trust fund account, excluding
2 unrealized gains and losses, must be appropriated for protection of works of art in the state capitol and for other
3 cultural and aesthetic projects.

4 (7) The amount of 5.8% through June 30, 2017, and beginning July 1, 2017, the amount of 2.9% must
5 be credited to the coal natural resource account established in 90-6-1001(2).

6 (8) After the allocations are made under subsections (2) through (7), \$250,000 for the fiscal year must
7 be credited to the coal and uranium mine permitting and reclamation program account established in 82-4-244.

8 (9) (a) Subject to subsection (9)(b), all other revenue from severance taxes collected under the
9 provisions of this chapter must be credited to the general fund of the state and is statutorily appropriated, as
10 provided in 17-7-502, on July 1 each year to the trust fund for the public employees' retirement system defined
11 benefit plan established pursuant to 19-3-103.

12 (b) The interest income of the coal severance tax permanent fund that is deposited in the general fund,
13 less the annual transfer of \$1.275 million to the research and commercialization state special revenue account
14 pursuant to 15-1-122(2), is statutorily appropriated, as provided in 17-7-502, on July 1 each year as follows:

15 (i) \$65,000 to the cooperative development center;

16 (ii) \$625,000 for the growth through agriculture program provided for in Title 90, chapter 9;

17 (iii) to the department of commerce:

18 (A) \$125,000 for a small business development center;

19 (B) \$50,000 for a small business innovative research program;

20 (C) \$425,000 for certified regional development corporations;

21 (D) \$200,000 for the Montana manufacturing extension center at Montana state university-Bozeman;

22 and

23 (E) \$300,000 for export trade enhancement; and

24 (iv) except as provided in subsection (9)(c), up to \$21 million to the public employees' retirement system
25 defined benefit plan trust fund.

26 (c) If the legislative finance committee determines that the public employees' retirement board has failed
27 to provide a sufficient report pursuant to 19-3-117, it shall recommend that \$5 million be subtracted from the
28 amount allocated in subsection (9)(b)(iv) subject to legislative approval. (Terminates June 30, 2019--secs. 2, 3,
29 Ch. 459, L. 2009.)

30 **15-35-108. (Effective July 1, 2019) Disposal of severance taxes.** Severance taxes collected under

1 this chapter must, in accordance with the provisions of 17-2-124, be allocated as follows:

2 (1) Fifty percent of total coal severance tax collections is allocated to the trust fund created by Article IX,
3 section 5, of the Montana constitution. The trust fund money must be deposited in the fund established under
4 17-6-203(6) and invested by the board of investments as provided by law.

5 (2) The amount of 12% of coal severance tax collections is allocated to the long-range building program
6 account established in 17-7-205.

7 (3) (a) The amount of 5.46% must be credited to an account in the state special revenue fund to be
8 allocated by the legislature for provision of basic library services for the residents of all counties through library
9 federations and for payment of the costs of participating in regional and national networking, conservation
10 districts, and the Montana Growth Through Agriculture Act. Expenditures of the allocation may be made only from
11 this account. ~~Money~~ Except as provided in subsection (3)(b), money may not be transferred from this account
12 to another account other than the general fund. Any unreserved fund balance at the end of each fiscal year must
13 be deposited in the general fund.

14 (b) The amount allocated to the Montana Growth Through Agriculture Act must be transferred from the
15 account in subsection (3)(a) to the account provided for in 90-9-301.

16 (4) The amount of 1.27% must be allocated to a permanent fund account for the purpose of parks
17 acquisition or management. Income from this permanent fund account, excluding unrealized gains and losses,
18 must be appropriated for the acquisition, development, operation, and maintenance of any sites and areas
19 described in 23-1-102.

20 (5) The amount of 0.95% must be allocated to the debt service fund type to the credit of the renewable
21 resource loan debt service fund.

22 (6) The amount of 0.63% must be allocated to a trust fund for the purpose of protection of works of art
23 in the capitol and for other cultural and aesthetic projects. Income from this trust fund account, excluding
24 unrealized gains and losses, must be appropriated for protection of works of art in the state capitol and for other
25 cultural and aesthetic projects.

26 (7) The amount of 2.9% must be credited to the coal natural resource account established in
27 90-6-1001(2).

28 (8) After the allocations are made under subsections (2) through (7), \$250,000 for the fiscal year must
29 be credited to the coal and uranium mine permitting and reclamation program account established in 82-4-244.

30 (9) (a) Subject to subsection (9)(b), all other revenue from severance taxes collected under the

1 provisions of this chapter must be credited to the general fund of the state and is statutorily appropriated, as
 2 provided in 17-7-502, on July 1 each year to the trust fund for the public employees' retirement system defined
 3 benefit plan pursuant to 19-3-103.

4 (b) Except as provided in subsection (9)(c), up to \$24 million of the interest income from the coal
 5 severance tax permanent fund that is deposited in the general fund is statutorily appropriated, as provided in
 6 17-7-502, on July 1 each year to the public employees' retirement system defined benefit plan trust fund.

7 (c) If the legislative finance committee determines that the public employees' retirement board has failed
 8 to provide a sufficient report pursuant to 19-3-117, it shall recommend that \$5 million be subtracted from the
 9 amount allocated in subsection (9)(b) subject to legislative approval."

10

11 **Section 7.** Section 90-9-102, MCA, is amended to read:

12 **"90-9-102. Purpose.** It is the purpose of this chapter to strengthen and diversify Montana's agricultural
 13 industry through loans ~~and grants~~, and farmer loan repayment assistance to assist the development of innovative
 14 agricultural business organizational improvements and the commercialization and marketing of new agricultural
 15 products in order to keep pace with a transforming agricultural industry and to create new jobs and expand small
 16 business opportunities."

17

18 **Section 8.** Section 90-9-103, MCA, is amended to read:

19 **"90-9-103. Definitions.** As used in this chapter, the following definitions apply:

20 (1) "Act" means the Montana Growth Through Agriculture Act.

21 (2) "Agricultural business" means an enterprise engaged in the production, processing, marketing,
 22 distribution, or exporting of agricultural products. The term includes any related business the primary function of
 23 which is providing goods or services to an agricultural enterprise.

24 (3) "Company" means a natural person, firm, partnership, corporation, association, or other entity
 25 authorized to conduct business in the state.

26 (4) "Council" means the Montana agriculture development council established in 2-15-3015.

27 (5) "Department" means the department of agriculture established in 2-15-3001.

28 (6) "Educational loan" means a loan made pursuant to a federal loan program, except for a federal parent
 29 loan for undergraduate students (PLUS) loan, as provided in 20 U.S.C. 1078-2.

30 (7) "Educational loan servicer" means an entity that engages, for compensation or gain from another or

1 on its own behalf, in the business of:

2 (a) receiving any scheduled periodic payments from a borrower pursuant to the terms of an educational
3 loan;

4 (b) applying the payments of principal and interest and other payments with respect to the amounts
5 received from a borrower, as may be required pursuant to the terms of an educational loan; and

6 (c) performing other administrative services with respect to an educational loan.

7 (8) "Farmer" means a person who:

8 (a) is engaged in agricultural activities, including ranching, at a farm;

9 (b) participates in the day-to-day operations of a farm; and

10 (c) (i) from [the effective date of this act] through June 30, 2019, began farming within 10 years from the
11 date of the application for loan repayment assistance under the provisions of [sections 1 through 5]; or

12 (ii) on or after July 1, 2019, began farming within 5 years from the date of the application for loan
13 repayment assistance pursuant to [sections 1 through 5].

14 (9) "Federal loan program" means educational loans authorized by 20 U.S.C. 1071, et seq., 20 U.S.C.
15 1087a, et seq., and 20 U.S.C. 1087aa, et seq.

16 ~~(6)~~(10) (a) "Matching funds" means the funds received by the loan or grant recipient from private, federal,
17 state, or commodity checkoff funds and contributed by the recipient in support of a loan or grant application in
18 an amount that is at least equal to the funds disbursed to the recipient by the council.

19 (b) Matching funds may not include other state grants.

20 ~~(7)~~(11) "State" means the state of Montana."
21

22 **Section 9.** Section 90-9-202, MCA, is amended to read:

23 **"90-9-202. Powers and duties of council.** (1) The council shall:

24 (a) establish policies and priorities to enhance the future development of agriculture in Montana,
25 including the Indian reservations in the state;

26 (b) make loans or grants, pursuant to the provisions of Title 90, chapter 9, part 3, that have a short-term
27 or long-term ability to stimulate agriculture development and diversification in rural, urban, and tribal settings in
28 Montana; ~~and~~

29 (c) provide loan repayment assistance for farmers pursuant to the provisions of [sections 1 through 5];

30 (d) consult with the cooperative extension service of the Montana university system to administer the

1 Montana farmer loan repayment assistance program as required by [section 1]; and

2 ~~(e)~~(e) accept grants or receive devises of money or property for use in making the loans or grants and
3 providing the loan repayment assistance authorized by this chapter.

4 (2) The council may:

5 (a) defer or forgive any loan in whole or in part; and

6 (b) forgive any accrued interest in whole or in part."
7

8 **Section 10.** Section 90-9-203, MCA, is amended to read:

9 **"90-9-203. Rulemaking.** The council shall adopt rules necessary to implement the provisions of this
10 chapter, including rules:

11 (1) governing the conduct of council business;

12 (2) establishing application procedures for loans and grants authorized in 90-9-202;

13 ~~(3)~~ establishing application procedures and required documentation for the Montana farmer loan
14 repayment assistance program pursuant to [section 4];

15 ~~(3)~~(4) establishing procedures to be followed by the council in its review process prior to making a loan
16 or grant or providing loan repayment assistance;

17 ~~(4)~~(5) establishing postdisbursement activities to monitor the use of a loan or grant by its recipient,
18 including:

19 (a) any reporting requirements; and

20 (b) procedures for repayment of a loan or grant upon failure of a recipient to meet the terms and
21 conditions of that loan or grant;

22 ~~(5)~~(6) establishing interest rates for loans in accordance with market factors and the purposes of this
23 chapter;

24 ~~(6)~~(7) limiting the amount of loans or grants that any company may receive or apply for over a given
25 period of time;

26 ~~(7)~~(8) governing the deferral or forgiveness of loans and any accrued interest; and

27 ~~(8)~~(9) establishing other terms and conditions of loans ~~and~~, grants, and loan repayment assistance, as
28 necessary, within the requirements and purposes of this chapter."
29

30 **Section 11.** Section 90-9-301, MCA, is amended to read:

1 **"90-9-301. Agriculture seed capital account -- matching funds.** (1) There is an agriculture seed
2 capital account administered by the council. Money received by the council under 90-9-306 must be deposited
3 in this account.

4 (2) The council may loan or grant money from the agriculture seed capital account, pursuant to the
5 provisions of 90-9-308 through 90-9-311.

6 (3) The council may provide farmer loan repayment assistance from the agriculture seed capital account
7 pursuant to the provisions of [sections 1 through 5]."

8

9 **Section 12.** Section 90-9-306, MCA, is amended to read:

10 **"90-9-306. Appropriation authority and funding -- prohibitions.** (1) The council may accept and
11 expend the funds that it receives from grants, donations, or other private or public income, including amounts
12 repaid as principal and interest on loans made by the council. These funds are statutorily appropriated to the
13 council, as provided in 17-7-502, for the purposes of this chapter, except that expenditures for actual and
14 necessary expenses required for the efficient administration of this chapter must be made from temporary
15 appropriations, as described in 17-7-501(1) or (2), made for that purpose.

16 (2) At least \$50,000 of the funds expended by the council in the biennium beginning July 1, 2017, must
17 be expended for the purposes of the Montana farmer loan repayment assistance program provided for in
18 [sections 1 through 5].

19 ~~(2)~~(3) Council members may not personally apply for or receive council funds. If an organization with
20 which a member is affiliated applies for council funds, the member shall disclose the nature of the affiliation and,
21 if the council member is a board member or officer of the organization, may not participate in the decision of the
22 council regarding the application."

23

24 NEW SECTION. **Section 13. Codification instruction.** [Sections 1 through 5] are intended to be
25 codified as an integral part of Title 90, chapter 9, and the provisions of Title 90, chapter 9, apply to [sections 1
26 through 5].

27

28 NEW SECTION. **Section 14. Effective date.** [This act] is effective July 1, 2017.

29

30 NEW SECTION. **Section 15. Termination.** [Section 12] terminates June 30, 2019.

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- END -