

1 HOUSE BILL NO. 431

2 INTRODUCED BY Z. BROWN

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT CREATING THE MONTANA FARMER LOAN REPAYMENT
5 ASSISTANCE PROGRAM BY REVISING THE MONTANA GROWTH THROUGH AGRICULTURE ACT;
6 PROVIDING THAT INTEREST INCOME FROM COAL SEVERANCE TAX FUNDS CERTAIN GROWTH
7 THROUGH AGRICULTURE PROGRAMS; REQUIRING THE MONTANA AGRICULTURE DEVELOPMENT
8 COUNCIL TO PROVIDE A MINIMUM AMOUNT OF FUNDING FOR THE FARMER LOAN REPAYMENT
9 ASSISTANCE PROGRAM; CREATING ELIGIBILITY REQUIREMENTS; REQUIRING DOCUMENTATION FOR
10 APPLICANTS; PROVIDING DEFINITIONS; PROVIDING FOR PRIORITIES FOR FUNDING OF PROGRAM
11 APPLICANTS; REVISING A STATUTORY APPROPRIATION; PROVIDING RULEMAKING AUTHORITY TO
12 MONTANA AGRICULTURE DEVELOPMENT COUNCIL; AMENDING SECTIONS 15-35-108, 90-9-102,
13 90-9-103, 90-9-202, 90-9-203, AND 90-9-306, MCA; AND PROVIDING AN EFFECTIVE DATE AND A
14 TERMINATION DATE."

15

16 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

17

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

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

26 (a) is a resident of Montana whose primary occupation is to operate a farm;

27 (b) has graduated from a postsecondary institution as defined in 20-26-603 with an associate degree
28 or a baccalaureate degree;29 (c) has undertaken the primary occupation of operating a farm within the applicable time period specified
30 in 90-9-103(8)(c); and

1 (d) commits to operate the farm for at least 5 years after applying for loan repayment assistance pursuant
2 to [sections 1 through 5].

3 (2) A farmer who is qualified pursuant to subsection (1) is eligible for loan repayment assistance for up
4 to a maximum of 5 years.

5 (3) The total amount of loan repayment assistance for an eligible qualified farmer may not exceed 50%
6 of the total amount of educational loans outstanding on the application date for loan repayment assistance.

7
8 **NEW SECTION. Section 3. Payments to be made directly to educational loan servicer.** (1) In
9 administering the Montana farmer loan repayment assistance program, the council shall ensure the payments
10 on behalf of a qualified farmer are paid directly to the educational loan servicer.

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

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

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

- 25 (1) with the greatest financial need;
- 26 (2) who are most likely to successfully continue operating a farm based on factors including an
27 applicant's interest in farming, training, experience, business plan, and relationship with a mentor;
- 28 (3) who own or are working toward ownership of a farm;
- 29 (4) who operate farms that employ sustainable best practices for farming that are identified in the list of
30 approved conservation enhancements and practices under the conservation stewardship program of the U.S.

1 department of agriculture; and

2 (5) are members of groups that are underrepresented in farming in Montana.

3

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

5 **"15-35-108. (Temporary) Disposal of severance taxes.** Severance taxes collected under this chapter
6 must, in accordance with the provisions of 17-2-124, be allocated as follows:

7 (1) Fifty percent of total coal severance tax collections is allocated to the trust fund created by Article IX,
8 section 5, of the Montana constitution. The trust fund money must be deposited in the fund established under
9 17-6-203(6) and invested by the board of investments as provided by law.

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

12 (3) The amount of 0.85% in fiscal year 2018 and 0.88% in fiscal year 2019 must be allocated for
13 provision of basic library services for the residents of all counties through library federations and for payment of
14 the costs of participating in regional and national networking and must be deposited in the basic library services
15 account established in 22-1-202.

16 (4) The amount of 3.89% in fiscal year 2018 and 3.83% in fiscal year 2019 must be allocated to the
17 department of natural resources and conservation for conservation districts and deposited in the conservation
18 district account established in 76-15-106.

19 (5) The amount of 0.72% in fiscal year 2018 and 0.75% in fiscal year 2019 must be allocated to the
20 Montana Growth Through Agriculture Act and deposited in the growth through agriculture account established
21 in 90-9-104.

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

26 (7) The amount of 0.95% must be allocated to the debt service fund type to the credit of the renewable
27 resource loan debt service fund.

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

1 cultural and aesthetic projects.

2 (9) The amount of 5.8% through June 30, 2019, and beginning July 1, 2019, the amount of 2.9% must
3 be credited to the coal natural resource account established in 90-6-1001(2).

4 (10) After the allocations are made under subsections (2) through (9), \$250,000 for the fiscal year must
5 be credited to the coal and uranium mine permitting and reclamation program account established in 82-4-244.

6 (11) (a) Subject to subsection (11)(b), all other revenue from severance taxes collected under the
7 provisions of this chapter must be credited to the general fund of the state.

8 (b) The interest income of the coal severance tax permanent fund that is deposited in the general fund;
9 ~~less the annual transfer of \$1.275 million to the research and commercialization state special revenue account~~
10 ~~pursuant to 15-1-122(2);~~ is statutorily appropriated, as provided in 17-7-502, on July 1 each year through the
11 growth through agriculture program in Title 90, chapter 9, to the department of agriculture as follows:

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

13 (ii) ~~\$625,000 for the growth through agriculture program provided for in Title 90, chapter 9 to the Montana~~
14 ~~agricultural development council for loans, grants, farmer loan repayment assistance, and other program costs;~~

15 (iii) ~~to the department of commerce:~~

16 ~~— (A) \$125,000 for a small business development center;~~

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

18 ~~— (C) \$425,000 for certified regional development corporations;~~

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

20 and

21 ~~— (E) \$300,000 for export trade enhancement. (Terminates June 30, 2019--secs. 2, 3, Ch. 459, L. 2009.)~~

22 **15-35-108. (Effective July 1, 2019) Disposal of severance taxes.** Severance taxes collected under
23 this chapter must, in accordance with the provisions of 17-2-124, be allocated as follows:

24 (1) Fifty percent of total coal severance tax collections is allocated to the trust fund created by Article IX,
25 section 5, of the Montana constitution. The trust fund money must be deposited in the fund established under
26 17-6-203(6) and invested by the board of investments as provided by law.

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

29 (3) The amount of 0.90% in fiscal year 2020 and 0.93% in fiscal year 2021 and in each fiscal year
30 thereafter must be allocated for provision of basic library services for the residents of all counties through library

1 federations and for payment of the costs of participating in regional and national networking and must be
2 deposited in the basic library services account established in 22-1-202.

3 (4) The amount of 3.77% in fiscal year 2020 and 3.71% in fiscal year 2021 and in each fiscal year
4 thereafter must be allocated to the department of natural resources and conservation for conservation districts
5 and deposited in the conservation district account established in 76-15-106.

6 (5) The amount of 0.79% in fiscal year 2020 and 0.82% in fiscal year 2021 and in each fiscal year
7 thereafter must be allocated to the Montana Growth Through Agriculture Act and deposited in the growth through
8 agriculture account established in 90-9-104.

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

13 (7) The amount of 0.95% must be allocated to the debt service fund type to the credit of the renewable
14 resource loan debt service fund.

15 (8) The amount of 0.63% must be allocated to a trust fund for the purpose of protection of works of art
16 in the capitol and for other cultural and aesthetic projects. Income from this trust fund account, excluding
17 unrealized gains and losses, must be appropriated for protection of works of art in the state capitol and for other
18 cultural and aesthetic projects.

19 (9) The amount of 2.9% must be credited to the coal natural resource account established in
20 90-6-1001(2).

21 (10) After the allocations are made under subsections (2) through (9), \$250,000 for the fiscal year must
22 be credited to the coal and uranium mine permitting and reclamation program account established in 82-4-244.

23 (11) ~~At~~ (a) Subject to subsection (11)(b), all other revenue from severance taxes collected under the
24 provisions of this chapter must be credited to the general fund of the state.

25 (b) The interest income of the coal severance tax permanent fund that is deposited in the general fund
26 is statutorily appropriated, as provided in 17-7-502, on July 1 each year through the growth through agriculture
27 program in Title 90, chapter 9, to the department of agriculture as follows:

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

29 (ii) \$625,000 to the Montana agricultural development council for loans, grants, farmer loan repayment
30 assistance, and other program costs."

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

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

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

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

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

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

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

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

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

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

(7) "Educational loan servicer" means an entity that engages for compensation or gain from another or on its own behalf, in the business of:

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

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

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

(8) "Farmer" means a person who:

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

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

1 (c) (i) from [the effective date of this act] through June 30, 2021, began farming within 10 years from the
2 date of the application for loan repayment assistance pursuant to [sections 1 through 5]; or

3 (ii) on or after July 1, 2021, began farming within 5 years from the date of the application for loan
4 repayment assistance pursuant to [sections 1 through 5].

5 (9) "Federal loan program" has the meaning provided in 20-4-502.

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

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

10 ~~(7)~~(11) "State" means the state of Montana."
11

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

13 **"90-9-202. Powers and duties of council.** (1) The council shall:

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

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

19 (c) provide loan repayment assistance for farmers pursuant to [sections 1 through 5];

20 (d) consult with the cooperative extension service to administer the Montana farmer loan repayment
21 assistance program as required by [section 1]; and

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

24 (2) The council may:

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

26 (b) forgive any accrued interest in whole or in part."
27

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

29 **"90-9-203. Rulemaking.** The council shall adopt rules necessary to implement the provisions of this
30 chapter, including rules:

- 1 (1) governing the conduct of council business;
- 2 (2) establishing application procedures for loans and grants authorized in 90-9-202;
- 3 (3) establishing application procedures and required documentation for the Montana farmer loan
- 4 repayment assistance program pursuant to [section 4];
- 5 ~~(3)~~(4) establishing procedures to be followed by the council in its review process prior to making a loan
- 6 or grant or providing loan repayment assistance;
- 7 ~~(4)~~(5) establishing postdisbursement activities to monitor the use of a loan or grant by its recipient,
- 8 including:
- 9 (a) any reporting requirements; and
- 10 (b) procedures for repayment of a loan or grant upon failure of a recipient to meet the terms and
- 11 conditions of that loan or grant;
- 12 ~~(5)~~(6) establishing interest rates for loans in accordance with market factors and the purposes of this
- 13 chapter;
- 14 ~~(6)~~(7) limiting the amount of loans or grants that any company may receive or apply for over a given
- 15 period of time;
- 16 ~~(7)~~(8) governing the deferral or forgiveness of loans and any accrued interest; and
- 17 ~~(8)~~(9) establishing other terms and conditions of loans and grants and loan repayment assistance, as
- 18 necessary, within the requirements and purposes of this chapter."

19

20 **Section 11.** Section 90-9-306, MCA, is amended to read:

21 **"90-9-306. Appropriation authority and funding -- prohibitions.** (1) The council may accept and

22 expend the funds that it receives from grants, donations, or other private or public income, including amounts

23 repaid as principal and interest on loans made by the council. These funds are statutorily appropriated to the

24 council, as provided in 17-7-502, for the purposes of this chapter, except that expenditures for actual and

25 necessary expenses required for the efficient administration of this chapter must be made from temporary

26 appropriations, as described in 17-7-501(1) or (2), made for that purpose.

27 (2) At least \$100,000 of the funds expended by the council in the biennium beginning July 1, 2019, must

28 be expended for the purposes of the Montana farmer loan repayment assistance program provided for in

29 [sections 1 through 5].

30 ~~(2)~~(3) Council members may not personally apply for or receive council funds. If an organization with

1 which a member is affiliated applies for council funds, the member shall disclose the nature of the affiliation and,
2 if the council member is a board member or officer of the organization, may not participate in the decision of the
3 council regarding the application."
4

5 NEW SECTION. Section 12. Codification instruction. [Sections 1 through 5] are intended to be
6 codified as an integral part of Title 90, chapter 9, and the provisions of Title 90, chapter 9, apply to [sections 1
7 through 5].
8

9 NEW SECTION. Section 13. Codification instruction. Amendments to 15-35-108 in [section 6] make
10 it unnecessary to remove the internal reference to that section in 17-7-502 until 2029, regardless of sec. 10, Ch.
11 10, Sp. L. May 2000, secs. 3 and 6, Ch. 481, L. 2003, and sec. 2, Ch. 459, L. 2009.
12

13 NEW SECTION. Section 14. Effective date. [This act] is effective July 1, 2019.
14

15 NEW SECTION. Section 15. Termination. [Section 6] terminates June 30, 2029.
16

- END -