

1 HOUSE BILL NO. 431

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5

6 A BILL FOR AN ACT ENTITLED: "AN ACT CREATING THE MONTANA FARMER LOAN REPAYMENT
7 ASSISTANCE PROGRAM BY REVISING THE MONTANA GROWTH THROUGH AGRICULTURE ACT;
8 PROVIDING THAT INTEREST INCOME FROM COAL SEVERANCE TAX FUNDS CERTAIN GROWTH
9 THROUGH AGRICULTURE PROGRAMS; ~~REQUIRING~~ ALLOWING THE MONTANA AGRICULTURE
10 DEVELOPMENT COUNCIL TO PROVIDE ~~A MINIMUM AMOUNT OF~~ FUNDING FOR THE FARMER LOAN
11 REPAYMENT ASSISTANCE PROGRAM; CREATING ELIGIBILITY REQUIREMENTS; REQUIRING
12 DOCUMENTATION FOR APPLICANTS; PROVIDING DEFINITIONS; PROVIDING FOR PRIORITIES FOR
13 FUNDING OF PROGRAM APPLICANTS; REVISING A STATUTORY APPROPRIATION; PROVIDING
14 RULEMAKING AUTHORITY TO MONTANA AGRICULTURE DEVELOPMENT COUNCIL; AMENDING
15 SECTIONS 15-35-108, 90-9-102, 90-9-103, 90-9-202, 90-9-203, AND 90-9-306, MCA; AND PROVIDING AN
16 EFFECTIVE DATE AND A TERMINATION DATE."
17

18 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
19

20 NEW SECTION. **Section 1. Montana farmer loan repayment assistance program.** There is a
21 Montana farmer loan repayment assistance program administered by the council in consultation with the
22 cooperative extension service. The program must provide for the direct repayment of educational loans of eligible
23 farmers in accordance with the rules adopted by the council pursuant to 90-9-203 to implement [sections 1
24 through 5].
25

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

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

29 (b) has graduated from a postsecondary institution as defined in 20-26-603 with an associate degree
30 or a baccalaureate degree;

1 (c) has undertaken the primary occupation of operating a farm within the applicable time period specified
2 in 90-9-103(8)(c); and

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

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

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

9 (4) A FARMER WHO QUALIFIES FOR AND RECEIVES LOAN REPAYMENT ASSISTANCE SHALL REPAY THAT
10 ASSISTANCE IF THE FARMER CEASES TO OPERATE THE FARM BEFORE THE END OF THE 5-YEAR COMMITMENT.

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

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

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

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

- 29 (1) with the greatest financial need;
30 (2) who are most likely to successfully continue operating a farm based on factors including an

- 1 applicant's interest in farming, training, experience, business plan, and relationship with a mentor;
- 2 (3) who own or are working toward ownership of a farm;
- 3 (4) who operate farms that employ sustainable best practices for farming that are identified in the list of
- 4 approved conservation enhancements and practices under the conservation stewardship program of the U.S.
- 5 department of agriculture; and
- 6 (5) are members of groups that are underrepresented in farming in Montana.

7

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

9 **"15-35-108. (Temporary) Disposal of severance taxes.** Severance taxes collected under this chapter

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

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

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

13 17-6-203(6) and invested by the board of investments as provided by law.

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

15 account established in 17-7-205.

16 (3) The amount of 0.85% in fiscal year 2018 and 0.88% in fiscal year 2019 must be allocated for

17 provision of basic library services for the residents of all counties through library federations and for payment of

18 the costs of participating in regional and national networking and must be deposited in the basic library services

19 account established in 22-1-202.

20 (4) The amount of 3.89% in fiscal year 2018 and 3.83% in fiscal year 2019 must be allocated to the

21 department of natural resources and conservation for conservation districts and deposited in the conservation

22 district account established in 76-15-106.

23 (5) The amount of 0.72% in fiscal year 2018 and 0.75% in fiscal year 2019 must be allocated to the

24 Montana Growth Through Agriculture Act and deposited in the growth through agriculture account established

25 in 90-9-104.

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

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

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

29 described in 23-1-102.

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

1 resource loan debt service fund.

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

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

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

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

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 through the
15 growth through agriculture program in Title 90, chapter 9, to the department of agriculture as follows:

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

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

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

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

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

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

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

24 ~~and~~

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

26 **15-35-108. (Effective July 1, 2019) Disposal of severance taxes.** Severance taxes collected under
27 this chapter must, in accordance with the provisions of 17-2-124, be allocated as follows:

28 (1) Fifty percent of total coal severance tax collections is allocated to the trust fund created by Article IX,
29 section 5, of the Montana constitution. The trust fund money must be deposited in the fund established under
30 17-6-203(6) and invested by the board of investments as provided by law.

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

3 (3) The amount of 0.90% in fiscal year 2020 and 0.93% in fiscal year 2021 and in each fiscal year
4 thereafter must be allocated for provision of basic library services for the residents of all counties through library
5 federations and for payment of the costs of participating in regional and national networking and must be
6 deposited in the basic library services account established in 22-1-202.

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

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

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

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

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

23 (9) The amount of 2.9% must be credited to the coal natural resource account established in
24 90-6-1001(2).

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

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

29 (b) The interest income of the coal severance tax permanent fund that is deposited in the general fund
30 is statutorily appropriated, as provided in 17-7-502, on July 1 each year through the growth through agriculture

1 program in Title 90, chapter 9, to the department of agriculture as follows:

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

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

5

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

7 **"90-9-102. Purpose.** It is the purpose of this chapter to strengthen and diversify Montana's agricultural
8 industry through loans, ~~and grants,~~ and farmer loan repayment assistance to assist the development of innovative
9 agricultural business organizational improvements and the commercialization and marketing of new agricultural
10 products in order to keep pace with a transforming agricultural industry and to create new jobs and expand small
11 business opportunities."

12

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

14 **"90-9-103. Definitions.** As used in this chapter, the following definitions apply:

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

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

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

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

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

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

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

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

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

- 1 (c) performing other administrative services with respect to an educational loan.
- 2 (8) "Farmer" means a person who:
- 3 (a) is engaged in agricultural activities, including ranching, at a farm;
- 4 (b) participates in the day-to-day operations of a farm; and
- 5 (c) (i) from [the effective date of this act] through June 30, 2021, began farming within 10 years from the
- 6 date of the application for loan repayment assistance pursuant to [sections 1 through 5]; or
- 7 (ii) on or after July 1, 2021, began farming within 5 years from the date of the application for loan
- 8 repayment assistance pursuant to [sections 1 through 5].
- 9 (9) "Federal loan program" has the meaning provided in 20-4-502.
- 10 ~~(6)~~(10) (a) "Matching funds" means the funds received by the loan or grant recipient from private, federal,
- 11 state, or commodity checkoff funds and contributed by the recipient in support of a loan or grant application in
- 12 an amount that is at least equal to the funds disbursed to the recipient by the council.
- 13 (b) Matching funds may not include other state grants.
- 14 ~~(7)~~(11) "State" means the state of Montana."
- 15
- 16 **Section 9.** Section 90-9-202, MCA, is amended to read:
- 17 **"90-9-202. Powers and duties of council.** (1) The council shall:
- 18 (a) establish policies and priorities to enhance the future development of agriculture in Montana,
- 19 including the Indian reservations in the state;
- 20 (b) make loans or grants, pursuant to the provisions of Title 90, chapter 9, part 3, that have a short-term
- 21 or long-term ability to stimulate agriculture development and diversification in rural, urban, and tribal settings in
- 22 Montana;
- 23 (c) provide loan repayment assistance for farmers pursuant to [sections 1 through 5];
- 24 (d) consult with the cooperative extension service to administer the Montana farmer loan repayment
- 25 assistance program as required by [section 1]; and
- 26 ~~(e)~~(e) accept grants or receive devises of money or property for use in making the loans or grants and
- 27 providing the loan repayment assistance authorized by this chapter.
- 28 (2) The council may:
- 29 (a) defer or forgive any loan in whole or in part; and
- 30 (b) forgive any accrued interest in whole or in part."

1

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

3 **"90-9-203. Rulemaking.** The council shall adopt rules necessary to implement the provisions of this

4 chapter, including rules:

5 (1) governing the conduct of council business;

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

7 (3) establishing application procedures and required documentation for the Montana farmer loan

8 repayment assistance program pursuant to [section 4];

9 ~~(3)~~(4) establishing procedures to be followed by the council in its review process prior to making a loan

10 or grant or providing loan repayment assistance;

11 ~~(4)~~(5) establishing postdisbursement activities to monitor the use of a loan or grant by its recipient,

12 including:

13 (a) any reporting requirements; and

14 (b) procedures for repayment of a loan or grant upon failure of a recipient to meet the terms and

15 conditions of that loan or grant;

16 ~~(5)~~(6) establishing interest rates for loans in accordance with market factors and the purposes of this

17 chapter;

18 ~~(6)~~(7) limiting the amount of loans or grants that any company may receive or apply for over a given

19 period of time;

20 ~~(7)~~(8) governing the deferral or forgiveness of loans and any accrued interest; and

21 ~~(8)~~(9) establishing other terms and conditions of loans and grants and loan repayment assistance, as

22 necessary, within the requirements and purposes of this chapter."

23

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

25 **"90-9-306. Appropriation authority and funding -- prohibitions.** (1) The council may accept and

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

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

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

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

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

