

A bill for an act
relating to agriculture; creating a farm enhancement loan program; appropriating
money; proposing coding for new law in Minnesota Statutes, chapter 41B.

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

Section 1. **[41B.051] FARM ENHANCEMENT LOAN PROGRAM.**

Subdivision 1. **Establishment.** The authority shall establish and implement a farm
enhancement loan program to help finance the acquisition, construction, or improvement
of buildings for dairy animal housing, confinement, feeding, milk production, and waste
management.

Subd. 2. **Eligibility.** A borrower under this section must meet the eligibility
requirements of section 41B.03, subdivision 1, and must use the loan for the acquisition,
construction, or improvement of buildings for dairy animal housing, confinement, feeding,
milk production, and waste management.

Subd. 3. **Loan specifications; forgiveness.** (a) The authority may make a direct
loan to a borrower under this section in an amount equal to 25 percent of the cost of
eligible expenditures under subdivision 2 or \$50,000, whichever is less. Payments and
interest on the loan are deferred for ten years after disbursement, so long as the borrower
or the borrower's immediate family remains the principal operator of the farm on which
loan expenditures were made. If, after ten years, the borrower or the borrower's immediate
family remains the principal operator of the farm on which loan expenditures were made,
the loan is forgiven. If the borrower or the borrower's immediate family ceases to be the
principal operator of the farm on which the loan expenditures were made less than ten
years after the loan was disbursed, the loan is immediately payable in full, with interest at
a rate determined by the authority.

2.1 (b) A loan under this section must be secured by a mortgage on real property and
2.2 such other security as the authority may require.

2.3 (c) For purposes of this subdivision, "borrower's immediate family" means:

2.4 (1) a son or daughter of the borrower, or a descendant of either;

2.5 (2) a stepson or stepdaughter of the borrower;

2.6 (3) the father or mother of the borrower, or an ancestor of either;

2.7 (4) a stepfather or stepmother of the borrower; or

2.8 (5) a spouse of the borrower.

2.9 Subd. 4. **Application and origination fees.** The authority may impose a reasonable
2.10 nonrefundable application fee for each loan application and an origination fee for each
2.11 loan issued under the farm enhancement loan program. The origination fee is initially 1.5
2.12 percent and the application fee is \$50. The authority may review the fees annually and
2.13 make adjustments as necessary.

2.14 Subd. 5. **Revolving fund.** A revolving fund is established in the state treasury,
2.15 which is eligible to receive appropriations. All repayments of loans granted under
2.16 subdivision 3, including principal and interest, and fees under subdivision 4, must be
2.17 deposited into the fund. Interest earned on money in the fund accrues to the fund. Money
2.18 in the fund is appropriated to the commissioner of agriculture for purposes of the farm
2.19 enhancement loan program under this section, including costs incurred by the authority
2.20 to establish and administer the program.

2.21 **Sec. 2. APPROPRIATION.**

2.22 \$1,500,000 is appropriated from the general fund to the commissioner of agriculture
2.23 to administer the farm enhancement loan program under section 1. The money is available
2.24 until June 30, 2008.

2.25 **Sec. 3. EFFECTIVE DATE.**

2.26 Sections 1 and 2 are effective the day following final enactment.