

ONE HUNDRED FIRST LEGISLATURE - FIRST SESSION - 2009
COMMITTEE STATEMENT
LB297

Hearing Date: Monday February 02, 2009
Committee On: Banking, Commerce and Insurance
Introducer: Dubas
One Liner: Adopt the Nebraska Beginning Farmer and Small Business Linked Deposit Loan Act

Roll Call Vote - Final Committee Action:
Advanced to General File with amendment(s)

Vote Results:

Aye:	7	Senators Christensen, Gloor, Langemeier, McCoy, Pahls, Pankonin, Pirsch
Nay:		
Absent:		
Present Not Voting:	1	Senator Utter

Proponents:

Senator Annette Dubas
Jason Knols
Pete McClymont
Robert Hallstrom

Kurt Yost

Representing:

Introducer
NE Farm Bureau
NE Cattlemen
NE Bankers Association / National Federation of Independent Business
NE Independent Bankers

Opponents:

Neutral:

Jason Hayes

Representing:

Representing:
NE State Treasurer

Summary of purpose and/or changes:

OVERVIEW

LB 297 (Dubas) would enact the Nebraska Beginning Farmer and Small Business Linked Deposit Loan Act to create a linked deposit loan program, administered by the State Treasurer, for the purpose of providing linked deposit loans of funds available for investment by the state investment officer to eligible beginning farmers and eligible small businesses.

The bill would provide that no single linked deposit loans shall exceed two hundred fifty thousand dollars and the total aggregate amount of linked deposit loans shall not exceed twenty million dollars.

SUMMARY

The bill would provide, section by section, as follows:

Section 1 would enact a new section to provide for a named act: the Nebraska Beginning Farmer and Small Business Linked Deposit Loan Act.

Section 2 would enact a new section to provide definitions for "eligible beginning farmer" (a beginning farmer or livestock producer who is a resident individual, who has entered or is seeking entry into farming or livestock production, who intends to farm or raise crops or livestock on land within Nebraska, and who meets eligibility guidelines established in

section 3 of the bill), "eligible lending institution," "eligible small business" (an individual or business entity headquartered in Nebraska that employs fewer than ten employees doing business in a municipality, county, unincorporated area, or census tract that has an unemployment rate which exceeds the statewide average, a per capita income below the statewide average, or had a population decrease between the two most recent censuses), "linked deposit," and "linked deposit loan package."

Section 3 would enact a new section to provide that an eligible beginning farmer shall be an individual who, along with spouse and dependents, has a net worth of not more than five hundred thousand dollars, provides the majority of the day-to-day physical labor and management, has adequate experience or knowledge, demonstrates a profit potential, and demonstrates a need for assistance.

Section 4 would enact a new section to provide that the State Treasurer is authorized to administer the linked deposit loan program for the purpose of providing incentives for making loans from linked deposits, through eligible lending institutions, to eligible beginning farmers and eligible small businesses. This section would provide that the State Treasurer shall submit an annual report on the program to the Governor and the Legislature.

Section 5 would enact a new section to provide that a linked deposit loan application shall be completed by an eligible beginning farmer or eligible small business and returned to the State Treasurer who shall forward the application to an eligible lending institution for consideration subject to its usual and prudent lending standards and practices to determine credit worthiness. This section would provide that no single linked deposit loan shall exceed two hundred fifty thousand dollars and the total aggregate amount of linked deposit loans shall not exceed twenty million dollars.

Sections 6 and 7 would enact new sections to provide that only one eligible linked deposit loan shall be made at any one time to any eligible beginning farmer or eligible small business. These sections would provide that no eligible linked deposit loan shall be extended for more than five years or amortized for greater than fifteen years. These sections would provide that a linked deposit loan shall be used exclusively for: inventory; rent, utilities, insurance, or taxes; equipment purchase, rental, or lease; renovations, repairs, and maintenance of equipment and facilities; or purchase of land and buildings.

Section 8 would enact a new section to provide that an eligible lending institution shall forward an approved linked deposit loan application to the State Treasurer for his or her final approval.

Section 9 would enact a new section to provide that the State Treasurer shall certify to the state investment officer the amount required for an approved linked deposit loan and the state investment officer shall place a linked deposit in the amount certified by the State Treasurer with the eligible lending institution at an interest rate two percent below the judgment interest rate provided in section 45-103 (the judgment rate in section 45-103 is two percent above the T-bill rate). This section would provide that such interest rate shall be recalculated on the first business day of January, April, July, and October. This section would require that an eligible lending institution shall enter into a linked deposit loan agreement with the State Treasurer which shall include a requirement that the eligible lending institution shall make a linked deposit loan at an interest rate not more than two percent above the judgment interest rate provided in section 45-103. This section would provide that such interest rate shall be recalculated on the first business day of January, April, July, and October.

Section 10 would enact a new section to provide that the State Treasurer may adopt and promulgate rules and regulations to implement the act.

Section 11 would enact a new section to provide that the state or the State Treasurer shall not be liable to any eligible lending institution for payment of the principal or interest on a linked deposit loan. This section would provide that any delay in payments or default on a linked deposit loan shall not affect the linked deposit loan agreement between an eligible lending institution and the State Treasurer.

Section 12 would provide that the act becomes operative on January 1, 2010.

Explanation of amendments:

1. The committee amendments would amend that part of section 5 which provides that the total aggregate amount of linked deposit loans shall not exceed twenty million dollars. The committee amendments would reduce that total aggregate amount to two million dollars for the first two years (FY2009-10 and FY2010-11) and then would increase it by two million dollars every two years until it reaches ten million dollars (FY2017-18 and FY2018-19).
2. The committee amendments would provide that no new linked deposit loans shall be made after June 30, 2019.

Rich Pahls, Chairperson