

OFFICE OF POLICY AND LEGAL ANALYSIS

To: Members, Joint Standing Committee on Agriculture, Conservation and Forestry
From: Karen S. Nadeau, Legislative Analyst
Date: February 1, 2022
Subj: **LD 219 An Act To Enhance the Agricultural Marketing Loan Fund by Establishing a Variable Interest Rate for Loans and To Allow Participants in the Maine Farms for the Future Program To Borrow at That Rate**

- Allows the Commissioner of ACF, in consultation with the FAME, to periodically review interest rates and establish an interest rate for agricultural marketing loans that varies with the prime rate of interest and is a competitive interest rate at the time of loan origination.
- Prohibits the rate from being less than 1% per year.
- Allows participants in the Maine Farms for the Future Program to borrow at that rate.

4/27/21 – voted to carry over LD 219; 1/25/22 – public hearing

TESTIMONY (pertaining to the amended version of LD 219)

Proponents: *Department of Agriculture, Conservation and Forestry; Maine Potato Board; Maine Farmland Trust; Wild Blueberry Commission of Maine*

Written only: Maine Organic Farmers and Gardeners Association; Finance Authority of Maine

- Original purpose of the bill was to update the interest rate of the Agricultural Marketing Loan Fund (AMLF) to be more competitive.
- Agricultural Development Grant (ADG) program is funded by the interest of the AMLF's revolving loan fund.
- There has been a notable decline in the loan fund's utilization over the past 10 years; AMLF's interest earned has not kept up with demand for ADG grants b/c of this decrease in utilization.
- The consequence of not passing this bill is sporadic, as opposed to annual, issuance of ADG grants. The amendment proposes to stabilize funding for ADG by no longer having it rely on the AMLF's performance.
- Not passing this bill means the AMLF program will continue to languish with its non-competitive interest rate.

Opponents: *None*

NFNA: *None*

AMENDMENT PROPOSES TO:

- Separate ADG program from the AMLF
 - Dedicated annual funding to support the ADG program
 - Make the rules governing ADG "routine technical" rather than "major substantive"
- Make the AMLF program more accessible and competitive:
 - Adjust the scope of eligible expense categories
 - Increase the percent coverage provided for loans over \$200,000 from 75% to 90% to decrease the corresponding contribution burden for borrowers from 25% to 10%
 - Reduce the interest rate of the loans from 5% to the federal prime rate on the date of loan commitment but not greater than 5% (same as Potato Marketing Loan Fund approved by the Legislature last year) and to allow existing loan holders to refinance at that new rate
 - Adjust the existing interest rate for Farms for the Future participants to be the federal prime rate on the date of loan commitment but not greater than 2%

PRELIMINARY FISCAL IMPACT STATEMENT: Not yet received.