

MINUTES OF THE House COMMITTEE ON Ways and Means

The meeting was called to order by Bill Bunten at _____
Chairperson

8:00 a.m./~~p.m.~~ on Thursday, April 25, 19 85 in room 514-S of the Capitol.

All members were present except:

Committee staff present:
Robin Hunn, Legislative Research
Gloria Timmer, Legislative Research
Laura Howard, Legislative Research
Jim Wilson, Revisor's Office
Theresa Kiernan, Revisor's Office

Conferees appearing before the committee:

Jim Maag, Kansas Bankers Association
Carol Hedges, Governor's Office
Senator Jim Allen
Don Schmidt, President of Northcentral Production
Credit Association
Bill Fuller, Farm Bureau
Ivan W. Wyatt, Kansas Farmer's Union
Chris Walker, Kansas National Farmers Organization
Representative Polson
Others present (Attachment 1)

Chairman Bunten called the meeting to order at 8:10 a.m.

SB 36 -- which allows Court of Appeals to be expanded by two judges was voted on and failed previously in this committee. Chairman asked the committee to reconsider and asked for a motion. Representative Ott moved that SB 36, as amended, be recommended favorable for passage.

The bill has been amended to provide that a judge may continue to serve past the age of 72. Representative Chronister seconded. Motion carried.

Chair turned to SB 361 -- an act concerning the Kansas animal health department; abolishing certain fee funds and creating the animal disease control fee fund.

Staff explained that it's mostly a technical change to allow the creation of one fund which will simplify the accounting.

Representative Chronister moved that SB 361 be recommended favorable for passage. Seconded by Representative Hamm. Motion carried.

SB 347 -- an act establishing a program providing incentives for the reduction of rates of interest upon agricultural production loans to eligible agricultural borrowers; granting certain tax credits to banks and production credit associations making such loans; and prescribing certain limitations thereon. Passage of the bill would mean loss of revenue for the State of about \$3 million per year.

Jim Maag testified in support of the bill on behalf of the Kansas Bankers Association and provided written testimony titled Public Testimony on Sub. for SB 347 which can be found on file in the Ways and Means Office. The bill would allow Kansas banks and production credit associations to make reduced rate loans to eligible farmers in an amount equal to the total agricultural production loans which the bank made in 1983.

Carol Hedges, representing the Governor's office, addressed the committee in support of the bill.

Senator Jim Allen testified in support of the bill on behalf of President Talkington's office.

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Ways and Means,
 room 514-S, Statehouse, at 8:00 a.m./~~p.m.~~ on Thursday, April 25, 1985

Representative Miller asked if the Senate would be providing a companion measure with this bill to provide funding for it. Senator Allen replied "no" and that it is true, the state would lose approximately \$16 million over a 5-year period. His contention, however, is that the State would receive back in benefits by keeping those people in agriculture as tax paying citizens.

Representative Polson spoke briefly in support of the bill.

Don Schmidt, representing northcentral Kansas Production Credit Association, addressed the committee in support of the bill and provided written testimony (Attachment 2). He said that Kansas farmers are caught up in an accelerating restructure of the agricultural industry, and while this bill would provide some relief, it is not a long term solution. He said that profitability needs to be restored in agriculture.

Representative Wisdom asked how he proposed to go about restoring profitability. Mr. Schmidt replied that it will take some deficit reduction on the part of federal government and that there needs to be an increase in exporting of agriculture products. This bill would provide a stop-gap measure.

Ivan Wyatt, Kansas Farmers Union, also testified in support of the bill and provided written testimony (Attachment 3).

Bill Fuller of Kansas Farm Bureau appeared before the committee and asked for the committee's support. He said that too often, agriculture has looked to Washington for assistance and he finds it refreshing to have the Kansas Legislature develop a program that will substantially assist Kansas agriculture during the worst financial crisis since the depression era. (See Attachment 4 for his testimony)

Chris Walker, representing the Kansas National Farmers Organization, appeared briefly in support of the bill. He said that a 3% reduction in interest might tide some of them over to where they might be back in business paying taxes and providing income for the state.

Committee recessed at 9:40 and reconvened at 4:20 p.m.

Chairman Buntin addressed the committee regarding the cigarette tax. He announced his intention to take up SB 32 and amend to include a cigarette tax of 8¢ a pack, effective October 1, 1985. Representative Rolfs offered an amendment that SB 32 be amended to include an 8¢ per pack increase in state taxes to be effective October 1, 1985. Representative Lowther seconded. Motion carried.

Representative Rolfs then moved that SB 32, as amended, be reported favorable for passage. Representative Chronister seconded. Motion carried.

Representative Heinemann submitted a bill draft concerning a moratorium on construction of hospitals (Attachment 5) and moved that the bill be introduced. Seconded by Representative Chronister. The bill would not apply to a hospital if they already have a certificate of need granted. Motion carried.

Representative Chronister moved that this committee reconsider action taken a few minutes ago on SB 32 and that it be returned to this committee. Seconded by Representative Rolfs. Motion carried.

SB 172 -- an act establishing a farm assistance, counseling and training program. Representative Polson briefed the committee on the bill and listed the following that has been proposed for implementing and maintaining the program:

- \$10,000 for a telephone hot line for psychological counseling.
- 64,000 for two (2) farm management positions at K-State.
- 25,000 for a Legal Person
- 12,000 for a Secretary
- 25,000 Operation cost...travel, etc.
- 26,000 fringe benefits for employees
- 15,000 graduate assistant or two half-time assistants.

CONTINUATION SHEET

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\$ 3,000 Advertising.
110,000 for contractual legal services
\$ 300,000 for the Entire Project.

These figures represent a compromise between Senate, House and Governor's office and would be amended into the Omnibus bill.

Representative Duncan suggested that the program be set up as a special project rather than hire permanent employees, in order to avoid paying for employee benefits.

Representative Polson said that the specialist hired for the program would be assigned to the Extension Department, which is part of the Department of Agriculture.

Consensus of opinion by the committee was that the State should not provide legal counsel for farmers. It was also stated that many attorneys would probably refuse to take their cases.

Representative Miller asked how many farms in the state and how many are actually in need of assistance. Representative Polson replied that Kansas has approximately 70,000 farms and that probably less than 10% are in dire need of assistance. It is estimated that 40 to 50% are wholly owned.

Representative Miller suggested that the \$300,000 be appropriated in the form of grants rather than hire people to administer the program.

Representative Duncan offered a motion to amend the bill with language that the program be set up as a special project and that any positions hired pursuant to the program would be in the Special Projects portion of classified service. Seconded by Representative Ott. This amendment would eliminate dealing with permanent, full time employees. Motion carried.

Consensus of opinion was that this program will not really do what is intended, that is pull the farmers out of their situation. Chairman Buntin commented that perhaps the referral service would be a good public policy, but he personally objects to providing free legal service on the basis that the meaning is too broad.

Representative Heinemann commented that KBA will be coordinating and searching for those attorneys who could be put on the list for the Secretary to contact.

Representative Heinemann moved that SB 172, as amended, be recommended favorable for passage. Seconded by Representative Hamm. Motion carried.

Arden Ensley of the Revisor's Office presented three clean-up bills which are designed to resolve conflicts in two other bills, and asked for introduction. Representative Rolfs moved and Representative Heinemann seconded. Motion carried.

Meeting adjourned at 5:05 p.m.

Any future meetings of the committee will be on call of the chairman.

Date 4-25-85

Name	Address	Representing
M. C. Umklotz	Topeka	KCML
John K. Blythe	Manhattan	K.F.B.
Joe Lieber	Topeka	Ks. Co-op Council
Bill R. Fuller	Manhattan	KFB
Clifford Campbell	Dist 106	Leg
Mary L. Lilly	Dist 119	Leg
Jack Bright	Holt	
E. L. Bowser	Mayetta, Ks.	Farmer
Denny Burgess	Wamego	Charter Medical
J. Neil Morrissey	Hoyt	Farmer
Wallace Olson	Olzburg	Rancher
Al D. D.	Leawards	Dist 63 Leg
Chris Walker	Mayetta	Kans NFD
Ivan W. Wyatt	McPherson	Kan Farmers Union
Lionel R. Edwards	Mayetta	Farmer
Nancy J. Edwards	Mayetta, Ks.	Farmer
W. J. Sausch	Mayetta, Ks.	Ks. Agri-Women
Sandra Rickel	Hoyt, Ks.	Ks. Agri-Women
Ken Heaton	Holt, Ks.	
John Peters	Topeka	Charter Medical Corp
Carol Hodges	Topeka	Gov. Carter
John K.	Wamego	KBS
Mary Harper	Neely	RAM

MR. CHAIRMAN. MY NAME IS DON SCHMIDT FROM CONCORDIA, KANSAS. I AM THE PRESIDENT OF THE NORTH CENTRAL KANSAS PRODUCTION CREDIT ASSOCIATION. WE ARE ALSO A MEMBER OF THE WICHITA DISTRICT FARM CREDIT COUNCIL, WHICH IS A FEDERATED ASSOCIATION OF BORROWER-OWNED FARM LENDING INSTITUTIONS THROUGHOUT KANSAS, OKLAHOMA, COLORADO AND NEW MEXICO. I WOULD LIKE TO TALK TO YOU ABOUT THE DETERIORATING CONDITIONS IN AGRICULTURE, FROM THE PERSPECTIVE OF THE ELEVEN KANSAS PRODUCTION CREDIT ASSOCIATIONS LOCATED IN THE NINTH FARM CREDIT DISTRICT (WHICH INCLUDES KANSAS, OKLAHOMA, COLORADO AND NEW MEXICO). COMBINED, OUR KANSAS PCAS HAVE 262.8 MILLION DOLLARS OF LOAN VOLUME OUTSTANDING TO 3,634 BORROWERS. PCAS THROUGHOUT OUR DISTRICT HAVE 1.1 BILLION DOLLARS OF LOAN VOLUME OUTSTANDING TO 14,249 BORROWERS AS OF DECEMBER 31, 1984.

KANSAS FARMERS ARE CAUGHT UP IN AN ACCELERATING RESTRUCTURING OF THE AGRICULTURAL INDUSTRY. THIS RESTRUCTURING IS THE RESULT OF MACRO-ECONOMIC CHANGES THAT ARE LONG-RANGE IN NATURE. AGRICULTURE HAS MOVED FROM A PERIOD OF RELATIVELY LOW AND STABLE INTEREST RATES, HIGH INFLATION, INCREASING FOOD AND FIBER DEMAND, AND INCREASING LAND PRICES DURING THE 70S TO A PERIOD OF RELATIVELY HIGH AND UNSTABLE INTEREST RATES, LOW INFLATION, DECREASED FOOD AND FIBER DEMAND AND DECLINING LAND VALUES OF THE 80S.

TESTIMONY FOR THE KANSAS HOUSE, WAYS AND MEANS COMMITTEE FOR DON SCHMIDT.

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THE RESULT OF THIS TRANSITION HAS BEEN A MASSIVE AND ACCELERATED RESTRUCTURING OF THE AGRICULTURAL INDUSTRY IN PARTS OF THE COUNTRY INCLUDING KANSAS. TODAY'S ECONOMIC ENVIRONMENT OF DECLINING ASSET VALUES, CONTINUED HIGH REAL INTEREST RATES, AND CONTINUED LOW NET INCOME PERFORMANCE, HAS HAD A DRAMATIC IMPACT ON THE FARMER'S BALANCE SHEET.

STUDIES CONDUCTED BY A TASK FORCE OF IOWA STATE UNIVERSITY ECONOMISTS INDICATE THAT 8 PERCENT TO 10 PERCENT OF FARMERS NATIONWIDE HAVE DEBT-TO-ASSET RATIOS IN EXCESS OF 70 PERCENT AND WILL BE INSOLVENT WITHIN TWO YEARS. IT IS FURTHER DISTRESSING TO NOTE THAT THIS GROUP OWES BETWEEN 25 PERCENT TO 31 PERCENT OF ALL OUTSTANDING FARM DEBT BUT OWNS ONLY 8 PERCENT OF THE ASSETS.

IOWA STATE UNIVERSITY ECONOMISTS FURTHER NOTE THAT "FOR THIS GROUP ANNUAL INTEREST COST IS ABOUT DOUBLE NET INCOME AND LIQUIDATION SEEMS INEVITABLE." AGAIN, USING THE ASSUMPTION THAT THOSE PRODUCERS WHO HAVE DEBT-TO-ASSET RATIOS IN EXCESS OF 70 PERCENT REALLY HAVE NO ALTERNATIVE BUT LIQUIDATION, THE MAGNITUDE OF THE PROBLEM IS SIGNIFICANT. THE PUBLIC POLICY QUESTION IS: HOW CAN WE ALLOW THIS TRANSITION TO OCCUR WITHOUT DESTROYING THE RURAL COMMUNITY?

WE, IN THE FARM CREDIT SYSTEM, ARE VITALLY CONCERNED ABOUT THE IMPACT OF THE FINANCIAL DISTRESS AGRICULTURE IS CURRENTLY EXPERIENCING, AND WE CONTINUE TO PRACTICE FOREBEARANCE TOWARD BORROWERS IN DIFFICULTY BY STAYING WITH THOSE WHO SHOW A REASONABLE PROSPECT FOR RECOVERY. IN ADDITION, WE SUPPORT THE CONCEPT OF GOVERNMENT INVOLVEMENT FOR PROVIDING ECONOMIC RELIEF TO FARMERS IN THIS PERIOD OF FINANCIAL DISTRESS.

IT IS OUR BELIEF THAT GOVERNMENT POLICIES HAVE CONTRIBUTED TO THE CURRENT ECONOMIC DIFFICULTIES THAT AGRICULTURE IS FACING; THEREFORE, GOVERNMENT HAS A RESPONSIBILITY TO AID THOSE FARMERS IN DIFFICULTY WHO ALSO SHOW A REASONABLE CHANCE FOR RECOVERY. I WOULD LIKE TO POINT OUT THAT WE ARE NOT ADVOCATING CHARITY, OR GOVERNMENT HANDOUTS, BUT ASKING FOR ASSISTANCE FOR THOSE FARMERS WHO SHOW A REASONABLE CHANCE OF SURVIVAL AFTER THE CURRENT TRANSITIONAL PERIOD IS COMPLETE.

THIS ASSISTANCE WHETHER IT BE THE PROPOSED 3 PERCENT INTEREST RATE BUY-DOWN, THE ADMINISTRATION'S DEBT ADJUSTMENT PROGRAM, OR OTHER GOVERNMENT PROGRAMS WILL BE USED BY THE FARM CREDIT SYSTEM WHERE FEASIBLE AND WE WILL DETERMINE THAT FEASIBILITY ON A CASE-BY-CASE BASIS. IF BENEFITS CAN BE PROJECTED FOR BOTH THE BORROWER AND LENDER, THE PROGRAM WILL BE USED. IF THE PROGRAM WOULD BENEFIT ONLY A SMALL MINORITY AT THE EXPENSE OF THE MAJORITY OF PCA STOCKHOLDERS, IT WILL NOT BE USED.

FOR SENATE BILL 347 TO HAVE PROJECTED BENEFITS FOR BOTH BORROWERS AND LENDERS THE FOLLOWING CRITERIA WOULD HAVE TO BE SATISFIED:

- 1) THE BORROWER INDICATES HE/SHE HAS THE MANAGEMENT ABILITY AND BALANCE SHEET TO RECOVER FROM CURRENT DIFFICULTIES IF GIVEN THE 3 PERCENT INTEREST RATE REDUCTION ON OPERATING LOANS FOR ONE GROWING SEASON;
- 2) THE PCA HAS A TAX LIABILITY TO OFFSET INTEREST RATE REDUCTION THROUGH TAX CREDITS; AND
- 3) THE PCA HAS SUFFICIENT FINANCIAL STRENGTH TO OFFER A 3 PERCENT INTEREST RATE REDUCTION IN 1985 AND TAKE UP TO FIVE YEARS TO RECOVER COSTS THROUGH TAX CREDITS.

THE WICHITA FEDERAL INTERMEDIATE CREDIT BANK, WHICH IS THE SUPERVISING BANK OF KANSAS PCAs, HAS NOT YET COMPLETED AN ECONOMIC ANALYSIS OF THIS 3 PERCENT INTEREST RATE BUY-DOWN PROPOSAL. SO AT THIS TIME WE DO NOT KNOW HOW EXTENSIVE IT WOULD BE UTILIZED IF ENACTED OR HOW BENEFICIAL IT WOULD BE TO KANSAS FARMERS.

MR. CHAIRMAN, IN CONCLUSION, I WOULD LIKE TO MAKE THIS POINT: WHILE FARM CREDIT RELIEF MAY HELP EASE THE TRANSITION THAT IS CURRENTLY TAKING PLACE, IT IS NOT A LONG-TERM SOLUTION TO AGRICULTURE'S PROBLEMS.

WHAT MANY HAVE REFERRED TO AS THE FARM CREDIT CRISIS CAN BE MORE ACCURATELY DESCRIBED AS THE FARM INCOME CRISIS. IN ORDER TO RESTORE PROSPERITY TO KANSAS FARMERS AND THE NATION'S AGRICULTURAL INDUSTRY, WE NEED TO RESTORE PROFITABILITY TO AGRICULTURE.

WE IN FARM CREDIT ARE VITALLY CONCERNED ABOUT THE CURRENT LEVEL OF STRESS IN KANSAS AGRICULTURE. IN ADDITION, WE RECOGNIZE THAT DURING THIS TRANSITIONAL PERIOD, BORROWERS, LENDERS AND GOVERNMENT MUST WORK TOGETHER CLOSER THAN EVER TO ASSIST FINANCIALLY TROUBLED BORROWERS AND, WHERE POSSIBLE, SEEK TO INCREASE THE NUMBER WHO HAVE A REASONABLE CHANCE FOR VIABILITY.

I VERY MUCH APPRECIATED THE OPPORTUNITY TO TESTIFY BEFORE THIS HEARING AND WOULD BE HAPPY TO RESPOND TO YOUR QUESTIONS.

Copy

Statement
of
Ivan W. Wyatt, Pres
Kansas Farmers Union
before
The House Ways and Means Committee
on
Interest Reduction on Agricultural Production Loans

Mr. Chairman, Members of the Committee:

I am Ivan Wyatt, President of the Kansas Farmers Union. We appreciate the opportunity to appear in support of the interest reduction proposal for agricultural production loans.

In the past few months, there has been numerous hearings, rallies, etc. held over the state on the issue of the crisis of Agriculture.

Lower interest costs, second only to better commodity prices was consistently listed as the area of most needed relief to help farmers survive this crucial period of time.

In the agricultural economy of to-day, interest cost is now considered the single highest production cost of producing this nation's food and fiber.

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Interest reduction may be mistakenly be considered as an aid to only the agricultural producer.

With many farmers operating today with limited funds to finance spring planting and related production costs, a 20% to 25% decrease in interest costs should have a stimulating ripple effect on the states economy, especially in the area of agricultural suppliers of fertilizer, chemical seeds etc. otherwise we will see a cutback in the purchase of quantity and quality of these types of products.

There should be little doubt of need for this assistance.

There may be the question of some of why?

Not since the late 1920's and early 30's has there been such an ~~long~~ extended dramatic reduction in farm commodity prices and net farm income.

Figures from Agricultural Economic Data prepared for the House Agricultural Committee by M.E. Johnson, State Statistician of the Kansas State Board of Agriculture for the year 1983, indicates why there is a crisis in agriculture.

From Mr. Johnson's report, 1983 cash receipts from Kansas farm marketings were down 9% from 1982, which was also not a good year price wise. 1983 cash receipts were the lowest since 1978 (Kansas Ranked 7th Nationwide)

1983 net income per farm in Kansas was down 37% from 1982 and also the lowest since 1978.

1983 Kansas Farm Production costs increased 2% over 1982 levels and were the highest on record.

1983 per acre production costs of grain exceeded the value of production for all crops except summer fallow wheat.

The parity ratio in 1983 averaged 54% as compared to 74% in 1978.

When 1984 figures are available they will show an even worsening situation, because at the close of 1984, the four major crops averaged only 45% to 47% of parity.

Interest reduction won't cure the problem of low farm prices, but it can give those determined to "tough-it-out" the chance to hang on until the U.S. Congress hopefully passes a farm

bill that will again establish an environment of profitability in agriculture.

To do nothing will simply add to the roll of those who are now in dire need of the legal assistance, counseling, etc, provided by the FACTS program yet to be considered by this committee.

When compared to the amounts of toy revenues generated, capital assets invested, expenditures made in production inputs by Kansas agriculture in past more prosperous times, the costs of these programs are minute.

Thank you - are there any questions?

Kansas' 1983 cash receipts from farm marketings totaled almost \$5.4 billion, down 9 percent from the previous year and lowest since 1978. Kansas ranked 7th in the nation.

Net income per farm in Kansas, at \$8,774, was 37 percent below the previous year and the lowest since 1978. Kansas ranked 28th in the nation, and while below both Colorado and Nebraska was above Missouri and Oklahoma.

Kansas farm production expenditures during 1983, at nearly \$5.8 billion, were the highest on record and 2 percent above the previous year.

Government payments totaling \$598 million were nearly double the previous high of \$301 million in 1978. Kansas ranked 4th in the nation in government payments received by farmers.

Kansas net farm income totaled \$597 million, down 36 percent from the previous year. Note that in the absence of any government payments the net farm income would have been negative.

In 1983 per acre production costs of grain exceeded the value of production for all crops except summer fallowed wheat. Cost of production figures show summer fallowed wheat netted an average of \$6.71 an acre.

Total farm debt has increased in each of the five years and now averages \$112,628 per farm in Kansas.

Total farm assets have declined each year since 1981 due largely to declining real estate values.

Debt to asset ratios have increased in each of the past five years from 18.2 in 1980 to 24.9 in 1984. Kansas farmers now owe nearly 25 cents for each dollar of assets.

The parity ratio now averages 54 percent as compared with 74 percent just five years ago. The four major grain crops averaged only 45-47 percent of parity at the close of 1984.



Kansas Farm Bureau, Inc.

2321 Anderson Avenue, Manhattan, Kansas 66502 / (913) 537-2261

STATEMENT

of

KANSAS FARM BUREAU

to

HOUSE WAYS & MEANS COMMITTEE

Representative Bill Bunten, Chairman

RE: Sub. for S.B. 347--Providing reduced interest rates on agricultural production loans through bank privilege tax credits

April 25, 1985

by

Bill R. Fuller, Assistant Director
Public Affairs Division
Kansas Farm Bureau

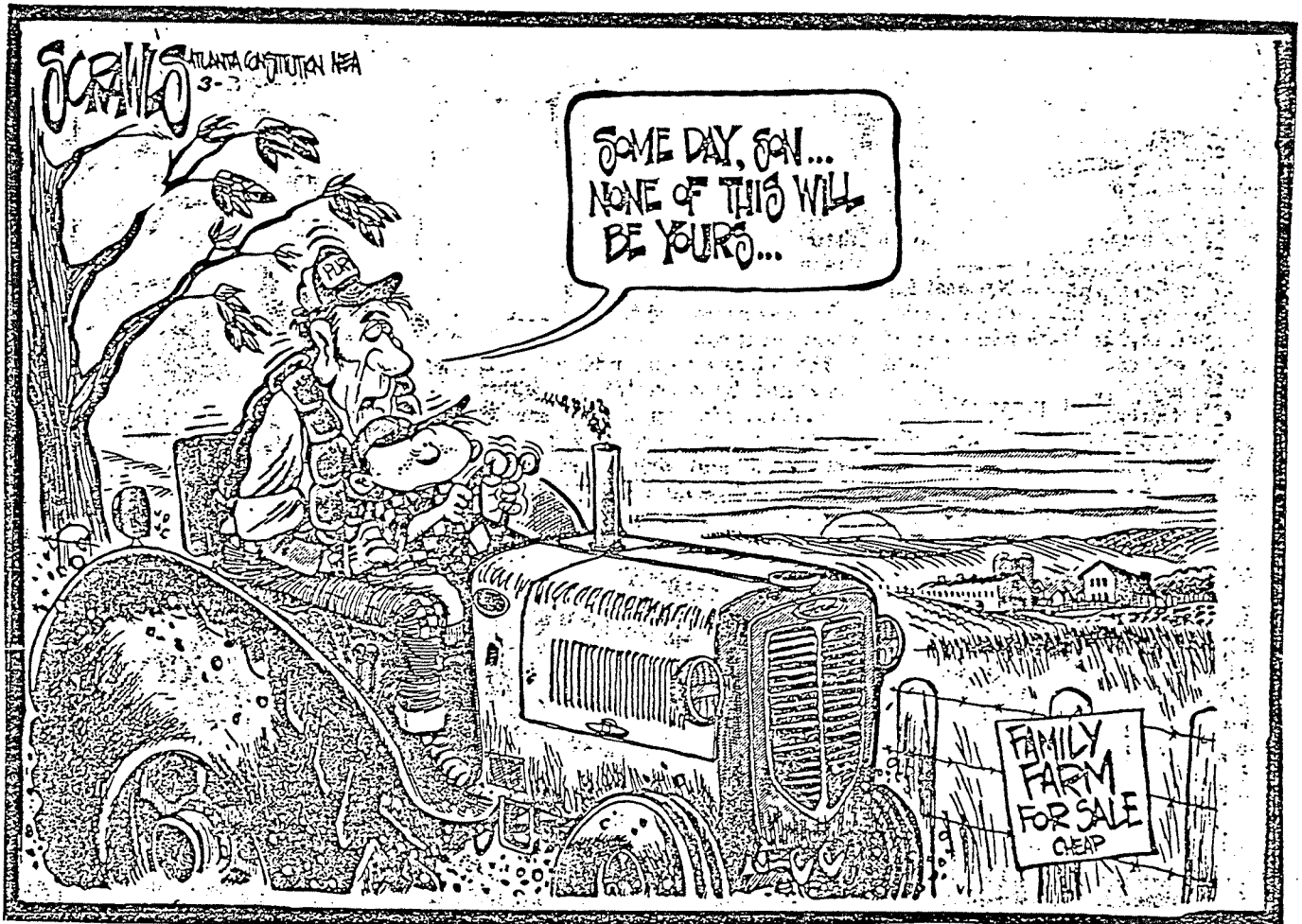
Public sympathy toward farmers during this financial crisis continues to grow. A recent U.S.A. Today survey said 71 percent of the public felt that the government had an obligation to give financial help to farmers in trouble. Most said farmers represent a way of life that needs financial support.

In the past, agriculture has too often looked to Washington, D.C. for assistance. It is refreshing to have the Kansas Legislature developing a program that will substantially assist Kansas agriculture during this worst financial crisis since the Great Depression.

Today, prime time television, newspaper headlines, national magazines, popular songs and new movies all depict the plight of the family farmer and the devastation of rural America.

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Cartoons drawn to focus attention on the farm crisis are too realistic to be humorous:



Mr. Chairman and members of the Committee—we are pleased to have this opportunity to express the support of the farmers and ranchers who are members of the Kansas Farm Bureau for Sub. for S.B. 347. The bill proposes to develop a temporary state program to provide financially stressed, eligible farmers with production loans at an interest rate 3 percent below the market rate. We commend both the Governor's office and the Senate leadership for developing this innovative proposal and this committee for consideration of the bill. An interest "buy-down" is only a short-term remedy. However, it can mean survival for many of the 25 to 40 percent of the farmers who are in serious financial trouble, often caused by circumstances beyond the farmers control--high interest rates, excessively strong dollar, asset devaluation, natural disasters and low commodity prices.

"Improving net farm income is Farm Bureau's most important goal."

This statement is the basis for all of the policy developed and adopted at the most recent American Farm Bureau Federation annual meeting:

FARM BUREAU
POLICIES
For 1985
 Resolutions On National Issues Adopted
 By Elected Voting Delegates Of The
 Member State Farm Bureaus To The
 66th Annual Meeting Of The American
 Farm Bureau Federation
 JANUARY, 1985

National farm policy 530
 1. Improving net farm income is Farm Bureau's
 2. most important goal.

Interest has become a significant portion of total farm operating expenses. A reduction in operating expenses translates into additional net income for farmers.

Nationally, agriculture's debt is approximately \$200 billion--85 percent of which is hold by less than 1/3 of the farmers. The interest--paid component of farm expenditure in the U.S. has steadily increased:

Interest Paid by Farmers
 (United States)

		<u>% of net cash income</u>
1970	\$ 3 billion	16%
1982	21.3 billion	75%
1983	* 20.4 billion	* 46%

(*Slight decline due to reductions in inventories and input costs, and large government payments associated with PIK.)

For Kansas's 75,000 farmers, interest is a major expense--often the largest item:

Major Farm Expenses

(2,071 Kansas Farm Management Association farms)

		<u>% of total Expenses</u>
Interest	\$ 20,963	15.2%
Repairs	11,867	8.6
Gas, fuel, oil	9,592	7.0
Fertilizer	9,216	6.7
Hired Labor	6,031	4.4
Seed, crop insurance	5,655	4.1
Herbicide/Insecticide	3,705	2.7
Utilities	2,464	1.8
* Feed	23,706	17.2

(*Not all farms, only farms with livestock program)

We believe Sub. for S.B. 347 has a number of desirable features, including:

1. Makes loans available to bank and production credit association borrowers (FmHA program available only to FmHA customers).
2. Provides meaningful level of loans--potential of approximately \$550 million (\$45 million available through FmHA program).
3. Loans are limited only to "eligible" farmers who are financially stressed.
4. The bill spreads the cost of the program over several years to reduce the annual exposure to the State Treasury.
5. The bill "sunset" July 1, 1986, thus avoiding continued state responsibility after the farm economy hopefully improves.

If concerns exists that the passage of Sub. for S.B. 347 would provide unfair tax breaks or set a precedent, I call your attention to a newspaper clipping I have attached to our statement, "High Court Upholds Law on Bonds" --Wichita Eagle-Beacon - April 23, 1985.

1. IRB's normally provide money at a lower interest rate--assistance to private companies.
2. Interest income received by investors is not generally taxes----state foregoes tax receipts.

The news article continues:

"The property would be exempt from property taxation for 10 years, which Tomasic said constituted a \$136 million tax break for GM, plus the materials used to build the plant would be exempt from sales taxes, saving another \$34 million for the project."

Sub. for S.B. 347 has the potential for the state to forego \$3 million annually for 5 years in tax collections from banks and production credit associations. Actually, we believe the program cost will be less because of the "sunset" provision and the fact farmers are now actively involved with spring planting. As you realize, over the past several years, the budget proposed by the Governor and appropriations by the Legislature have allocated less than 1 percent of the State General Fund directly to agriculture. Agriculture--Kansas's Number 1 industry--needs and deserves this consideration today when many farmers are struggling for survival. We appreciate the overwhelming support of the Senate when it approved the bill on a vote of 39 yes, 1 no. We now respectively ask for your approval. Thank you!

High Court Upholds Law On Bonds

Associated Press

TOPEKA — The Kansas Supreme Court on Monday upheld the constitutionality of the state's 24-year-old industrial revenue bond law, rejecting arguments it grants unfair tax breaks to favored private companies.

Wyandotte County officials had asked the court to rule on the law, wanting to make sure it was legal before they issued \$775 million in bonds for a General Motors plant.

In a 6-1 decision, the court said the law did not violate the Kansas or U.S. constitutions and tossed out the friendly challenge instigated by Wyandotte County District Attorney Nick Tomasic.

INDUSTRIAL REVENUE bonds have been used since the Legislature authorized them in 1961. A total of 1,869 have been issued statewide.

Local governments use them to help attract industry and to help existing businesses expand. They normally provide money at a lower interest than the businesses could get elsewhere. Also, the new or expanded business normally gets a tax break because the project financed by the bonds is taken off the property tax rolls for several years.

Investors, who buy the bonds issued by the governments, find them attractive because in most cases the interest they receive is not taxable.

Tomasic wanted the ruling before the city of Kansas City, Kan., and the Kansas City-Wyandotte County Port Authority issued the bonds to build an assembly plant for GM in the Fairfax Industrial District.

The \$775 million would be the largest bond issue in Kansas history. The previous largest was the issuance two years ago of \$156 million in bonds to refinance the Kansas Turnpike.

JUSTICE HAROLD Herd dissented from the majority on the ruling.

For purposes of his test, Tomasic argued that the bond law, amended in 1963, 1967, 1975 and 1981, should be struck down because it violated the state constitution's prohibition against unequal tax treatment.

He also argued the proposed bond issue for the new GM plant violated the law because the property would not be owned, ultimately, by the city and there was no specific benefit to the city and the state in offering this financial package to the automobile manufacturer.

In arguments earlier this month, the city and Port Authority were represented by former state Sen. Norman Gaar of Westwood, who was instrumental in drafting much of the legislation during the past two decades which amended the original law.

Under an agreement signed by the city, the Port Authority and GM, the governmental units would issue \$775 million in revenue bonds, build a new assembly plant to replace GM's 40-year-old plant in the Fairfax District.

GM WOULD make payments in lieu of taxes to taxing units in the county, from which the city and Port Authority would pay off the bonds. It would be sold to GM for \$100 after 10 years.

The property would be exempt from property taxation for 10 years, which Tomasic said constituted a \$136 million tax break for GM, plus the materials used to build the plant would be exempt from sales taxes, saving another \$34 million for the project.

HOUSE BILL NO. _____

AN ACT concerning hospitals; limiting the construction, modification or establishment of hospitals prior to July 1, 1986; authorizing actions to enjoin violations.

Be it enacted by the Legislature of the State of Kansas:

Section 1. As used in this act, the term "hospital" means a general hospital or a special hospital license under K.S.A. 65-425 to 65-441, inclusive, and amendments thereto.

Sec. 2. The following construction or modifications shall not be commenced prior to July 1, 1986:

(a) Any erections, building, alteration, reconstruction, modernization, improvement, extension, lease or other acquisition by or on behalf of a hospital that increases the licensed bed capacity of a hospital or relocates hospital beds from one physical facility or site to another; or

(b) the establishment of a new hospital.

Sec. 3. This act shall not apply to the following:

(a) The total relocation of a hospital's licensed beds from one physical facility or site within the community to another physical facility or site within the same community if the relocating hospital is the only hospital in the community;

(b) consolidation of two or more hospitals located within the same community, if the maximum licensed bed capacity after consolidation is set at a level which would accommodate a 70% rate of occupancy based on the aggregate average daily census of the consolidating hospitals during the previous fiscal year of each hospital;

(c) the relocation or redistribution of hospital beds within a hospital building or identifiable complex of buildings on the same site if the relocation or redistribution does not

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(5)

result in an increase in the overall licensed bed capacity at that site;

(d) a project for which a hospital holds a valid certificate of need under K.S.A. 65-4801 et seq., and amendments thereto, and which project is not yet completed; or

(e) a hospital which is owned or operated by the federal government.

Sec. 4. The secretary of health and environment upon application of a hospital may grant an emergency waiver from the provisions of this act if the need for the hospital project is a result of fire, tornado, flood, storm damage or other similar disaster, if adequate health care facilities are not available for the people who previously used the applicant hospital's facility and if the request for an emergency waiver is limited in nature and scope only to those repairs necessitated by the natural disaster.

Sec. 5. The secretary of health and environment or a hospital may bring an action to enjoin any alleged violation of this act.

Sec. 6. This act shall take effect and be in force from and after its publication in the statute book.