

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS

The meeting was called to order by Senator August "Gus" Bogina at
Chairperson

11:00 a.m./p.m./on March 11, 1986 in room 123-S of the Capitol.

All members were present except:

Committee staff present:

Research Department: Robin Hunn
Revisor's Office: Norman Furse
Committee Office: Judy Bromich, Doris Fager

Conferees appearing before the committee:

Joan Finney, State Treasurer
Harland Priddle, Secretary of Agriculture
Father John Stitz, Catholic Rural Life
Bill Fuller, Kansas Farm Bureau
Ivan Wyatt, Kansas Farmers Union
Howard Tice, Kansas Wheatgrowers Association (By Written Testimony)
Mary Harper, appearing for herself
Jake Geiger, appearing for himself

SB 588
SB 651

Motion was made by Senator Talkington and seconded by Senator Feleciano to report SB 588 and Sb 651 to be referred to the committes from whence they came. The motion carried by roll call vote.

SB 546 - Farm Home-Quarter Subsidies

Ms. Finney distributed her written testimony (Attachment A) and reviewed her remarks before the committee. There were questions from committee members following her testimony, and an extended discussion concerning the fiscal impact of SB 546, etc. (See Attachment B).

Senator Gannon suggested that it is important to note that the \$479,000 total annual cost suggested in Ms. Finney's testimony is not direct cost. It is "interest on interest." He commented that North Dakota has such a program in existence. He then asked Ms. Finney how many farms were involved in that state. She said there were 173 cases as of two months ago that were negotiated, and only one case has come down to borrowing the money. She added that North Dakota had appropriated \$50,000 over a period of two years for this program, and have spent \$1,500, including administrative costs. In other words, out of 173 cases, 172 were settled by negotiations.

There were several questions from Senator Winter about how the farmer would find help in negotiating his loan. She said she would defer to Secretary Priddle to answer those questions.

Senator Werts asked if it would be appropriate for other types of businesses to be considered if they are in trouble. Ms. Finney answered in the affirmative, stressing that agriculture and aircraft, for instance, are the basis of the state's economy.

Secretary Priddle distributed his testimony and an explanation of the FACTS program (Attachments C and D). During his testimony, he said his department has received a number of calls from farmers who have financial or legal problems, and is negotiating for these farmers at the present time. He said the department does have a legal department.

Senator Winter asked if, for instance, the Department of Agriculture had been able, through the FACTS program, to counsel people; and if one of the

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS,

room 123-S, Statehouse, at 11:00 a.m./p.m./ on March 11, 1986.

SB 546 - Continued

options would be the program in SB 546, would the lawyers in the FACTS program be the negotiators under the measure? Mr. Priddle said he envisions they would be, since the person would have worked through the problem with those lawyers. He indicated he did not think that would reduce the cost of the proposed program.

Senator Gaines questioned whether any problems would be solved by SB 546, and Mr. Priddle said his department had discussed that situation. The conclusion is that it is worth a great deal to keep the family home. He added that if a person has only 160 acres, he probably is employed off the farm at the present time, because he could not make enough income from that amount of acreage.

Senator Kerr asked what incentive a bank would have to extend a loan, reduce the interest, etc. Mr. Priddle surmised that banks have local loyalty-- that they have an interest in the consumer.

There followed a number of questions from committee members, asking for clarification of the procedure to be followed should SB 546 become law.

Father Stitz distributed Attachment E and read from his written statement. Senator Werts asked if Father Stitz knew of parishes who have offered this kind of assistance. Father Stitz said this is happening, but there is a lack of qualified people to handle the problems. He suggested more professionals are needed.

Mr. Fuller distributed Attachment F and read from his written testimony. When asked by Senator Gaines if he had a recommendation from the Governor on SB 546, Mr. Fuller said he did not.

Mr. Wyatt read from his written testimony (Attachment G). There were questions from committee members following his testimony.

At this point, Mr. Tice's testimony was introduced. (Attachment H).

Mr. Geiger noted that no Kansans are remote from being hurt in the crisis facing the state, and the cost of doing nothing must be realized. He noted that Kansas has set a precedent for homestead protection, and urged that this must be continued.

Mr. Geiger added that he had experienced economic problems, and it is his feeling that one of the most important features of the problem is the possibility of a third party entering into the negotiations where communications may have broken down. He suggested that, by helping a farmer to stay on his land and in his own house, there will be hope for that farmer.

No action was taken on SB 546, and the meeting was adjourned.

Remarks prepared for delivery by
Joan Finney, Kansas State Treasurer
Before Kansas Senate Ways and Means Committee

For Immediate Release
March 11, 1986

Mr. Chairman:

HOME QUARTER BILL - SB 546

Senate bill 546 is a bill for Kansas - for ALL Kansans, farmers, small businessmen, bankers and local units of government. This year, the Federal Land Bank will serve foreclosure notices to 850 Kansas farmers. Many Kansas farmers have already lost their land and their homes, some after missing only one or two payments. While it is a devastating experience to lose your business, it is a tragedy to lose your home. From the standpoint of jobs alone, the cities and the state can absorb only so much. For every seven farmers that are forced off the farm, one small business closes. This bill will help farmers sustain themselves through this critical period and keep Kansas businesses in business, generating payroll and tax revenues.

Senate Bill 546 involves a four-phase process as follows:

PHASE I

A farmer, fearing foreclosure or having received notice of foreclosure, calls the FACTS hot line at Kansas State University. There, the farmer can receive assistance in preparing a cash-flow projection. Once the cash-flow report is compiled, the FACTS staff will attempt to negotiate a restructuring of the farmer's loans to keep the farmer farming the entire farm. Phase I is administered by the Kansas State Board of Agriculture. If these negotiations fail, we move to Phase II.

PHASE II

If Phase I negotiation for the entire acreage has failed, the farmer may petition the Credit Review Board for review of his case. During the next 60 days, the board brings to the negotiation table the legitimacy and prestige

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of the Legislature and the Governor. The goal of the board is to restructure as many acres as possible, but especially concentrating on the home quarter. Please bear in mind that forty percent of our farmers rent a portion of the land they farm. The basic definition of home quarter is the 160 acres upon which the house and buildings are situated. If this negotiation fails, Phase III begins.

PHASE III

This phase is implemented only if Phases I and II are unsuccessful. By using the interest on the unclaimed property fund amounting to \$500,000 per year and which now flows into the general fund, Phase III provides for an interest buy-down on the home quarter. The state, through the Credit Review Board, would not be loaning principal, but rather loaning state money to pay the interest payments or a portion thereof. Without exception, every farmer I know has advised me that their greatest expense is interest payments. The state loans for buy-down of interest would apply only to the first \$50,000 in principal. Once again, the state is not paying on principal, only interest. The interest buy-down could occur for a five-year period, at which time the farmers and the agricultural industry, historically, would be in a more sound position. The interest buy-down should help the farmer's cash-flow operation and aid the lender in restructuring the loan. The pay back to the state is addressed in Phase IV.

PHASE IV

The interest paid by the state is amortized over the term of the loan; as the farmer repays the lender, the lender reimburses the state for the amount the state has paid in behalf of the farmer. No interest will be charged on the money the state has advanced. If the participating farmer is

not successful in turning his operation around and ends up in foreclosure or bankruptcy, an agreement with the lender for the state to receive a pro-rata share of the foreclosure proceeds would be used.

FISCAL NOTE

The majority of cases should be resolved at Phases I and II by the Board of Agriculture and the Credit Review Board.

Maximum cost above what is currently budgeted for the FACTS hot line service is estimated at \$479,000 per year. The interest buy-down and Credit Review Board negotiation could serve at least 450 farmers in addition to an undetermined number that could be successful during the FACTS/PHASE I stage. The breakdown is as follows:

Successful negotiations for 300 home quarters at \$160.00 per negotiation (\$8.00 per hour X 20 hours)	\$ 48,000.00
Negotiations which are unsuccessful for 150 farmers	24,000.00
5% interest paid (on the average) for 150 farmers	375,000.00
Credit Review Board administration	<u>32,000.00</u>
TOTAL ANNUAL COST	\$479,000.00

I have attached to my testimony an expanded Fiscal Impact of SB 546. In that summary, I have detailed that the yearly lost earnings to the state will amount to \$175,030 from SB 546. On the other hand, I have estimated that not passing SB 546 will cause over \$3.3 million in lost tax revenues and increased welfare costs. Granted, our estimates are speculative, but the difference is so large that SB 546 makes good, cost-effective sense.

EXPANDED FISCAL IMPACT OF SENATE BILL 546

The intent of Senate Bill 546 is to keep farmers farming and small business people in business. In essence, it is a bill to keep rural Kansas alive. SB 546 will keep a minimum of 450 farmers on the farm. Without SB 546, 450 farmers will go out of business; they will not be paying taxes and may need welfare assistance. In addition, for every seven farmers that quit farming, a small business will fail. That business generates taxes and payrolls. The people laid off will likewise stop paying taxes and become recipients of state assistance.

The following is a general summary of the costs to the state if 450 farmers do not survive:

Of the 450 farmers, 250 will be farm families with an average of three in the household. The remaining 200 households will have an average of 1.75 people per household.

Aid to Dependent Children - Unemployed Parent	
\$371/mo. X 250 families X 12 months	\$1,113,000
Low Income Energy Assistance Program	
\$18/mo. X 250 families X 12 months	54,000
Food Stamps	
\$172/mo. X 250 families X 12 months	516,000
Transitional General Assistance	
\$100/mo. X 200 families X 1.75 people per family X 12 months	420,000
Low Income Energy Assistance Program	
\$18/mo. X 200 families X 12 months	43,200
Food Stamps	
\$79/mo. X 200 families X 1.75 people per family X 12 months	331,800
Tax Revenue Lost	
450 families X \$2000 lost income X 5% taxes	45,000

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For every seven farmers, one business closes its doors. Thus, 64 businesses will be closed. Assumptions are that average gross sales per business are \$50,000 and that each business employs two people. Of those employees, 75 will have families and 53 will be households with an average 1.75 members per household.

Tax Revenue Lost	
64 businesses X \$50,000 gross sales X 3% sales tax to the state	\$ 96,000
Aid to Dependent Children - Unemployed Parent	
\$371/mo. X 75 families X 12 months	333,900
Low Income Energy Assistance Program	
\$18/mo. X 75 families X 12 months	16,200
Food Stamps	
\$172/mo. X 75 families X 12 months	154,800
Transitional General Assistance	
\$100/mo. X 53 families X 1.75 people per family X 12 months	111,300
Low Income Energy Assistance Program	
\$18/mo. X 53 families X 12 months	11,448
Food Stamps	
\$79/mo. X 53 families X 1.75 people per family X 12 months	87,927
Tax Revenue Lost	
128 families X \$2,000 lost income X 5% taxes	<u>12,800</u>
TOTAL LOSS OF REVENUE AND COSTS TO THE STATE	\$3,347,375

Costs of Senate Bill 546

Few pieces of legislation are without cost. Senate Bill 546, when compared with the loss of revenue and direct costs to the state if it is not passed, will cost relatively little.

Administration Costs	\$ 32,000
Negotiation Costs	72,000
Interest Subsidy of \$375,000 Estimate that 10% will not be repaid	37,500
Interest Loss on the Costs of the Program \$479,000 X 7%	<u>33,530</u>
TOTAL COSTS FOR SB 546	\$175,030

The Treasurer recommends that to hold down administration costs, the board appoint an executive officer, but that clerical staff and office space be provided contractually by the State Treasurer and that the Credit Review Board be included as a line item within the Treasury budget.

TESTIMONY

on

SENATE BILL 546

to

SENATE WAYS AND MEANS COMMITTEE

by

HARLAND E. PRIDDLE
SECRETARY
KANSAS STATE BOARD OF AGRICULTURE

March 11, 1986

S. W. M. 3/11/86

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Although the impact of the agricultural depression upon the national economy has just recently drawn national attention, the large sector of rural America that is dependent on agriculture has been acutely aware of the economic and social consequences of the agricultural crisis for the past five years. Kansans are acutely aware of the issues and effects of the rural depression and are infinitely aware of the future, immediate, economic and social dislocations that will take place in rural Kansas and the agricultural economy.

Senate Bill 546 is an effort to ease the impact of a depressed economy. This bill is an attempt to salvage the vestiges of many farm families which will be forced to liquidation in the coming year. The Department of Agricultural Economics of Kansas State University has projected that during calendar year 1986 an additional 5,000 of the state's 72,000 farmers may be forced into liquidation. The concept of Senate Bill 546 would ease such liquidation by allowing the retention of the farm family's home-quarter so that the farm family would not necessarily be forced out of production agriculture. The concept of this bill would allow the State of Kansas a tool to assist financially distressed farmers and keep them in production agriculture.

If such a program would be considered desirable by the Legislature its impact on, or coordination with other programs already in existence in Kansas should be analyzed. This program would call for negotiations to be implemented between the farmer who is in danger of immediate foreclosure and the lender who holds the mortgage. Such negotiators are presently in place and performing such negotiation tasks as part of the services provided by the Farmer's Assistance, Counseling and Training Program.

In your consideration of the establishment of a farm credit review board and the creation of the home-quarter purchase fund, I recommend your analysis of its adaptation to and interpretation with the FACTS program and the avoidance of duplicative negotiations between financially distressed farmers and lenders.

Thank you Mr. Chairman, I stand for questions.



**Confidential Information, Counseling,
Assistance & Referrals for the Kansas
Agricultural Community**

148 Waters Hall, Kansas State University, Manhattan, KS 66506

Stan Ward, Director
(913) 532-6958

S. Ward 3/11/86

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REPORT ON HOTLINE CALLS

March 5, 1986

Number of Requests for Assistance since 1 July 1985: 2200

PERSONAL DATA

Male Callers:	72.33%	Average Age:	49
Female Callers:	27.67%	Average Years Farming:	25

FARM DATA

Diversified Farms:	63.73%	Crop Only Farms:	23.75%
Agri-Businesses:	6.70%	Livestock Only Farms:	5.80%
Farms Operating with Owned Acreage Only: Average Owned Acreage - 927			51.11%
Farms Operating with Rented Acreage Only: Average Rented Acreage - 1102			7.84%
Farms Operating with Both Owned and Rented Acreage: Average Owned Acreage - 615 Average Rented Acreage - 813			41.05%

REQUESTS FOR ASSISTANCE BY AREA OF STATE

North East:	26.08%	North West:	18.66%
South Central:	26.41%	South West:	13.04%
South East:	15.81%		

NATURE OF REQUESTS FOR ASSISTANCE

Financial/Legal problems constitute 70.84% of all problems we are called about.

TYPE AND DISTRIBUTION OF FINANCIAL/LEGAL PROBLEMS

Farms have been foreclosed on	9.15%
Foreclosure probable	16.08%
Considering deeding back land or voluntary liquidation	5.62%
Tax liabilities (actual or anticipated)	6.41%
Bankruptcy filed	4.44%
Considering bankruptcy	12.81%
Problems because of a bank failure	5.23%
Credit cut off or refusal to renew notes	8.63%
Loan fraud	2.48%
Other	29.15%

FACTS REFERRALS

Kansas Cooperative Extension Service	40.76%
FACTS Legal Assistance	31.21%
Private Attorneys	7.33%
Other (e.g. Professional Tax Assistance, KS Attorney General, Lending Institutions, etc.)	20.70%

NATURE OF REQUESTS FOR ASSISTANCE

Employment/Retraining problems constitute 10.66% of all problems we are called about.

TYPE AND DISTRIBUTION OF EMPLOYMENT/RETRAINING PROBLEMS

Lost the farm	48.34%
Need additional income to stay on farm	51.66%

FACTS REFERRALS

Kansas Job Service Centers	30.82%
Dislocated Worker Programs	10.08%
School Placement Centers	8.68%
Vocational Retraining Programs	17.93%
Financial Assistance Programs	8.40%
Other (SER Corporation of KS, Area Agencies on Aging, etc.)	24.09%

NATURE OF REQUESTS FOR ASSISTANCE

Family problems constitute 5.71% of all problems we are called about.

TYPE AND DISTRIBUTION OF FAMILY PROBLEMS

Need food	7.88%
Need medical assistance	10.84%
Need monetary assistance	19.22%
Family and/or marital problems	28.57%
Emotional Problems	23.15%
Other	10.34%

FACTS REFERRALS

Public assistance programs	75.00%
Community Mental Health Centers	
Commodity Distribution Centers	
Food Stamps	
County Health Offices	
Private assistance programs	25.00%
Willie Nelson Money	
Local Service Clubs	
Churches and Church Associations	

NATURE OF REQUESTS FOR ASSISTANCE

Approximately 12.79% of the problems we receive fall into other categories. These include calls such as the following:

Information about State Loan Programs

Information about Government Loan Programs

Information about FmHA Regulations

Assistance in Developing Community Programs

Help in finding Speakers for Community Meetings

Information about Other Helping Programs

Information about the FACTS Program from other states trying to establish similar programs

Information about Radical Organizations

Chairman August Bogina Jr.
Senate Ways and Means Committee

RE: SB 546

From: Rev. John Stitz, Catholic Rural Life
Archdiocese Kansas City Kansas

March 11, 1986

Thank you for allowing me to appear on behalf of the Catholic Rural Life Office, which is dedicated to the family farm system of Agriculture.

This office is especially interested in the welfare and life quality for the family farmer. We believe that survival of the rural communities depend directly upon the social and economic health of the family farmers. We also believe there is a direct relationship between the economic stability of farmers and the economic health of this nation.

The current farm crisis has laid heavy and unusual burdens on rural people. Not all farmers can handle the stress on family life. We find that frequently the breakdown of communication, mis-understanding and lack of trust exist between farm borrower and lenders. This situation becomes a significant factor in producing and maintaining psychological stress on members of the family as well as the parents.

We see this bill as a positive means of helping to promote and enhance constructive communication between lenders and borrowers. Both will benefit from this credit review board. It serves as a support mechanism for both sides.

We feel that it's bad enough for people to lose their farms and their life work investment. It's another thing to lose a stable, healthy loving family life. We feel this bill will help preserve normal family life. We encourage your support. It will be well worth the administrative costs. Our farmers make tremendous contributions to our state, social, spiritual as well as economic values. Measured against those values, this bill is well worth it.

S. W. M. 3/11/86

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PUBLIC POLICY STATEMENT

SENATE WAYS AND MEANS COMMITTEE
Senator Gus Bogina, Chairman
March 11, 1986

RE: S.B. 546 - Establishing the Farm Credit Review Board
and the Home-Quarter Purchase Fund

Presented by:
Bill R. Fuller, Asst. Director
Public Affairs Division
Kansas Farm Bureau

Mr. Chairman and Members of the Committee:

I am Bill Fuller, Assistant Director of the Public Affairs Division of Kansas Farm Bureau. I am speaking on behalf of the farmers and ranchers who are members of Kansas Farm Bureau. We appreciate this opportunity to express our views on S.B. 546 ... an act establishing the Farm Credit Review Board and the Home-Quarter Purchase Fund.

Farm Bureau policy includes this statement: **"Improving net farm income is Farm Bureau's most important goal. We will support programs of an innovative nature that will increase net farm income."** S.B. 546 is a proposal that may assist in achieving this goal and help some farm families stay on the farm. The provisions of S.B. 546 providing an interest rate subsidy will increase net farm income since interest has become a significant portion of total farm operating expenses.

Nationally, agriculture's debt is approximately \$200 billion--85 percent of which is held by less than 1/3 of the

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communication between farm borrowers and lenders often break down. The Board would try to work out some type of arrangement between the farmer and lender to enable the farmer to stay on the land. There is always hope as long as the parties continue to communicate.

One goal of this legislation is very important ... to at least save the farm home when in immediate danger of foreclosure. The human suffering resulting from a failed farm operation is devastating. The farmer does not just lose a job ... the entire family has worked as a team, losing their way of life and home. Communities ... businesses, schools and churches ... deteriorate. Stress from the events often cause family problems. Yes, saving the farm home can reduce much human suffering and assist in rebuilding lives.

In closing, we make the same plea as we did last session when supporting S.B. 347 to provide an interest rate "buy-down" on agricultural loans; "Agriculture - Kansas's Number 1 industry needs and deserves consideration today when many farmers are struggling for survival." S.B. 546 is not a panacea for all financially stressed farmers. It is not a give-away of state funds ... repayment of any subsidized interest payments must begin within 5 years. However, this proposal could give some farm families the time and opportunity to work through their situation and stay in the home on the farm. Thank you!

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)

Any reduction in operating expenses translates into additional net income for farmers.

The most significant feature of S.B. 546 may be the establishment of the Farm Credit Review Board. During this most serious financial crisis since the Great Depression of the 1930's,

STATEMENT

BY

IVAN W. WYATT, PRESIDENT, KANSAS FARMERS UNION

ON

SENATE BILL 546 (FARM CREDIT REVIEW BOARD-HOME QUARTER INTEREST FUND)

BEFORE

THE SENATE COMMITTEE ON WAYS AND MEANS

MARCH 11, 1986

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE:

WE RISE IN SUPPORT OF SENATE BILL 546 BECAUSE IN MANY CASES WE HAVE SEEN THE NEED FOR THIRD-PARTY REVIEW IN CREDIT RELATED CONFRONTATIONS AND SOLUTIONS.

IN SOME CASES WE HAVE SEEN THE NEED FOR A REVIEW BOARD WHERE BORROWERS HAVE BEEN DENIED, OR FOUND DIFFICULTY IN OBTAINING PROPER FOREBEARANCE CONSIDERATION IN CREDIT NEGOTIATIONS.

THIS BILL WOULD PROVIDE THAT THIRD-PARTY INTERVENTION AND EVALUATION IN SUCH A SITUATION.

IN OTHER CASES WHERE WE HAVE A LOCAL LENDER AND A LOCAL BORROWER TRYING TO REACH A FAIR AND JUST AGREEABLE SOLUTION, A THIRD PARTY TO HEAR, CONSIDER AND EVALUATE THE SITUATION COULD BE VERY HELPFUL IN REACHING A FRIENDLY SOLUTION TO THE PROBLEM.

IN TODAY'S CRISIS SITUATION WE SEE NOT ONLY THE BORROWER UNDER SEVERE STRESS, BUT WE ARE ALSO SEEING THE LENDER, ESPECIALLY IN THE CASE OF THE LOCAL COMMUNITY LENDERS WHO ARE ALSO SUFFERING SEVERE STRESS.

WE HAVE SEEN THE RESULTS OF SUCH STRESS WITH THE FARMER IN HILLS, IOWA, AND THE LENDING AGENT IN A SOUTH DAKOTA CREDIT AGENCY.

A CREDIT REVIEW BOARD, AS SET FORTH IN THIS BILL, COULD HAVE GIVEN BOTH OF THESE PARTIES A FORUM TO DISCUSS THE PROBLEM AND TO SEEK ASSISTANCE IN REACHING AN UNDERSTANDING AND THE ULTIMATE SOLUTION TO THE PROBLEM THAT IN MANY CASES ONLY A THIRD UNBIASED PARTY CAN PROVIDE.

S. Wyatt 3/11/86

G 3-11-86

MARCH 11, 1986

MOST OFTEN SUCH TRAGEDIES AS I JUST MENTIONED HAPPEN BECAUSE THERE IS NO ACCEPTABLE ESCAPE FROM THE PROBLEM.

SECTION 5 OF THIS BILL CAN BE THAT ESCAPE HATCH.

A PERSON MAY LOSE PART OF THEIR LAND IN THESE TIMES AND NOT FEEL THEMSELVES TRAPPED OR SEE THEMSELVES AS A FAILURE, BUT WHEN THEY LOSE THEIR HOME, THEIR BASE OF OPERATION FOR ALL THE WORLD TO SEE, ALL THESE THINGS COME CRASHING DOWN. IN MANY OF THESE SITUATIONS IN THE CASE OF LOCAL LENDER, THEY MAY FEEL A SENSE OF RESPONSIBILITY FOR THAT BORROWERS SITUATION BECAUSE HE COULD NO LONGER HELP THEM MORE.

I LIKE TO THINK THIS STATE IS STILL A STATE OF CARING PEOPLE, ESPECIALLY IN A TIME OF ADVERSITY; HOWEVER, THIS BILL IS MORE THAN JUST A HUMANE BILL BUT A RESPONSIBLE BILL. IT IS NOT JUST A BAILOUT.

IT PROVIDES ASSISTANCE WHERE MOST NEEDED AND HAS A REASONABLE CHANCE FOR A SUCCESSFUL RESULT.

IN MANY CASES, PRINCIPAL PAYMENTS ON LOANS AND BILLS CAN BE MET, BUT IT IS THE INTEREST PAYMENTS THAT PUSHES MOST OVER THE EDGE TO FINANCIAL COLLAPSE.

THE FIVE-YEAR BREATHER ON INTEREST PAYMENTS SHOULD GIVE THE TROUBLED BORROWER TIME TO REORGANIZE AND RESTRUCTURE HIS OPERATION OR MAKE A DECISION TO RELOCATE OR CHANGE OCCUPATION WITHOUT THE STRESS AND PRESSURE OF A PENDING FORECLOSURE.

THIS BILL ISN'T A SOLUTION TO THE PROBLEM FACING THE RURAL KANSAS COMMUNITY TODAY, BUT IT DOES GIVE PEOPLE AN OPPORTUNITY TO ADAPT TO THE SHORT-TERM PROBLEM. HOWEVER, AT SOME POINT IN TIME WE HAVE TO DEAL HEAD-ON WITH THE REAL PROBLEM OF LOW FARM INCOME.

IN THE MEANTIME WE HAVE TO DO WHAT WE CAN TO PRESERVE OUR RURAL TOWNS AND COMMUNITIES.

SENATE BILL 546

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MARCH 11, 1986

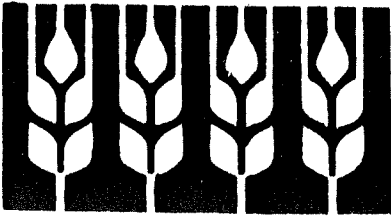
IF WE DON'T, THE RECENT K-STATE PREDICTION OF A 20% DEPOPULATION OF THE STATE'S RURAL COMMUNITIES WITHIN THE NEXT FIVE YEARS WILL BECOME A REALITY.

THE MORE WE ALLOW THIS DEPOPULATION TO CONTINUE THE MORE DIFFICULT IT BECOMES FOR THOSE REMAINING TO MAINTAIN A STRONG VIABLE COMMUNITY OF FARMERS AND RURAL BUSINESSES.

THEREFORE, WE OF THE KANSAS FARMERS UNION URGE THE SUPPORT OF THIS BILL AND ALL OTHER PROPOSALS THAT WORK TOWARDS THAT END.

THANK YOU.

KANSAS ASSOCIATION
OF WHEAT GROWERS



SENATE COMMITTEE ON WAYS AND MEANS

Senator Gus Bogina, Chairman

Tuesday, March 11, 1986

Hearing on Senate Bill 546 - establishing the Farm Credit Review Board and the Home Quarter Purchase Fund

Testimony submitted by Howard W. Tice, KAWG Executive Director

Mr. Chairman and members of the committee, I regret that I am unable to attend the hearing on this bill, but our Association's Executive Board meeting and a special Board project were scheduled in conflict with the hearing, and my presence is required with the Board. I appreciate the opportunity to present our views in this manner, in support of Senate Bill 546.

The members of the Kansas Association of Wheat Growers would like to commend Kansas Treasurer Joan Finney for proposing this legislation, and the Senate Agriculture Committee for passing it. This bill will not provide a cure-all for the ills facing the Kansas farm community, but it does have the potential to help a certain segment of our rural society.

It is often overlooked in the review of the farm economic crisis, that the loss of a family farm and farm home, is much more than the loss of a job or a house. Farming is not only a way of life, but it is in so many cases, a family tradition that spans many generations. In tough economic times, many people face the loss of a job and are able to go on unemployment until they find another job. If their house is taken through foreclosure, they simply rent another until better times allow them to purchase again. In today's mobile society, the attachment to a particular house is not great, and in fact, many only consider their present dwelling a temporary shelter.

In farming, there is no unemployment insurance to fall back on. There is no house a block or two away that a family can rent, perhaps with a subsidy from the city government. There is the family tradition that gives the family strong roots to the land on which they were raised, and which they have nurtured and cared for all of their lives. There is the utter despair and hopelessness that comes with the realization that in all the family's history, this generation is the one that failed completely, and lost everything preceding generations have worked so hard for. The irony is that the cause is not poor management, or even crop failure. It is an economic environment that insists that food prices must stay lower than the cost of production, while those production costs, particularly the cost of debt servicing, continue to rise, increasing the gap between cost and return.

A fair question is; Should the urban taxpayer help the farmer with any kind of subsidy? An honest answer is yes. If everyone, both in the domestic market place and the export arena, were paying a fair and equitable price for our food and fibre, based on the cost of producing that product, and a reasonable profit to the producer, just like every other product, we would not need a subsidy for farmers. They would be able to survive, and indeed, thrive like other industries, if we had a fair market. The fact is, we do not have a fair market.

While the governmental factors that inhibit a free and fair market for our farmers are at the federal level, there are steps that can be taken at the state level. Last year's enactment of the F.A.C.T.S. program was a positive step. Several other bills have been introduced this year that represent other approaches the state can properly take. Those programs, coupled with the Home Quarter Purchase Fund, and Farm Credit Review Board, can provide a way to keep many good farmers in their family homes, and actively involved in the economic life of their communities, thus not only helping the farmers themselves, but also the towns that depend on the dollars they spend.

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If all of the many bills that have been proposed this session, to help one segment or another of the rural community are passed, farmers that would have no other course than bankruptcy, will be allowed to remain in their homes, protect family heritages, and have an opportunity to remain in the business of agriculture while the various programs and economic forces work to bring back a reasonable balance between supply and demand, and therefore, cost and price. This will not only help those farmers, and the communities in which they live, but will also, in the final analysis, help lenders, as loans will be repaid when economic conditions allow, and the lender will receive more for the land than he would through forced sale into an environment of lowering land values.

One very important point to consider concerning SB 546, and the other bills proposed this year, is that only those farmers who can demonstrate some ability to cash flow, will qualify for the programs. These are not welfare programs, they are workfare programs. Only those farmers who demonstrate the ability to pay a reasonable part of the cost to stay in farming, will be allowed to participate.

I would like to point out that there are many welfare programs, funded by the state's taxpayers, that provide subsistence to people who have no other way of surviving, and we in agriculture have no quarrel with that. There are programs all over the country that seek to protect the heritage of certain races, and we have no quarrel with that. There are laws that provide opportunities for minorities to have equal access to desirable jobs and housing, and farmers have no quarrel with that.

Senate Bill 546, and the other programs I have mentioned will provide, not welfare for the farmer, but workfare - not completely at the taxpayer expense, but through a subsidy that can only be used in cases where the farmer is able to finance the balance needed to stay in business. These programs will help to protect the heritage of the family farmer that is the cornerstone of the work ethic that built this country. Farming has become one of the smallest minorities in our country, and that makes it difficult to achieve the changes necessary to turn the economy around. SB 546 is a minority opportunity bill.

Finally, I would like to address the fairness of the subsidy itself. I said on the previous page, that the taxpayer should help the farmer with this subsidy. Since the prices in the market place are beyond the control of the farmer, and the average citizen as well, the only way the consumer can be sure the farmer receives a fair return on his investment of time, labor and capital, is through some type of subsidy. Most of the non-farm consumers I have visited with on this subject are more than willing to pay a higher price for food, if they could be sure the farmer would receive the increase, especially when they learn that it would take a very slight increase in most food product prices to raise farm prices to equitable levels. (A 4¢ increase in the price of a loaf of bread, would double the return to the farmer for a bushel of wheat, if the farmer received all of the increase.) In short, the subsidies provided through Senate Bill 546, and other programs introduced this year simply allow the consumer, through the state, to pay the farmer a fairer price for providing a stable, nourishing, and high quality food supply.

Thank you very much for considering our views in support of Senate Bill 546. We urge this committee to join the Senate Agriculture Committee, in reporting this bill favorably for passage.

Mary Harper

I COME IN SUPPORT OF S. B. 546 . THIS BILL WILL HELP SOME FARMERS TO STAY ON THE FARM. WE CAN'T IMAGINE THE TRAUMA OF LOSING OUR HOMES WHEN WE HAVE LOST OUR BUSINESS. WE BELIEVE, BECAUSE OF THE IMPORTANCE OF AGRICULTURE, THAT TIMES WILL BE BETTER AND IF WE CAN KEEP FARMERS IN THEIR HOMES, THEY WILL HAVE A CHANCE TO COME BACK OR PLAN NEW LIVES. WE KNOW THAT MOVING THEM OFF THEIR FARMS AND OUT OF THEIR HOMES DOES NOT BENEFIT ANY OF US. BEST OF ALL, THIS DOES NOT IMPACT THE STATE BUDGET WHICH I KNOW IS OF GREAT CONCERN TO YOU. AND, I DO APPRECIATE YOUR WATCHFUL EYE ON THE STATE BUDGET.

I KNOW ONE PERSON, A WIDOW LADY, WHO HAS LOST EVERYTHING BECAUSE SHE HELPED HER SONS. SHE AND THEY HAVE WORKED TO ESTABLISH OTHER BUSINESS AND IF SHE CAN JUST KEEP HER HOME, THE STATE OF KANSAS WILL BE BETTER FOR ENACTING S. B. 546. THANK YOU.

S. W. M. 3/11/86
J 3-11-86