

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE.

The meeting was called to order by Chairman Dan Johnson at 3:30 p.m. on February 5, 2001, in Room 423-S of the Capitol.

All members were present.

Committee staff present: Raney Gilliland, Legislative Research Department
 Gordon Self, Revisor of Statutes
 Kay Scarlett, Committee Secretary

Conferees appearing before the committee:

Dr. Dan Bernardo, Professor and Head, Department of Agricultural Economics, Kansas State University
Derl Treff, Director of Investments, Pooled Money Investment Board
Tim Shallenburger, Treasurer, State of Kansas
Representative Sharon Schwartz
Bruce Thornton, Vice President-Lending, Frontier Farm Credit, Parsons
Roger Vanlandingham, Loan Officer, High Plains Farm Credit, Larned
Bill Fuller, Associate Director, Public Policy Division, Kansas Farm Bureau
Greg Krissek, Director of Operations, Kansas Corn Growers Association
Chuck Stones, Senior Vice President, Kansas Bankers Association

Others attending: See attached list

Dr. Dan Bernardo, Professor and Head, Department of Agricultural Economics, Kansas State University, provided an overview of the agriculture economic situation and outlook in Kansas. (Attachment 1)

Derl Treff, Director of Investments, Pooled Money Investment Board, expressed concern about the state's cash reserves. He explained that as Agricultural Production Loan Deposit Program loans must be offered at 2 percent below the rate that PMIB could earn if the money were invested, the total impact of the program as expanded by **HB 2103** would equate to lost interest income to the state of \$2 million per year. (Attachment2)

Tim Shallenburger, Treasurer, State of Kansas, reported on the success of the Agricultural Production Loan Deposit Program passed by the 2000 Legislature. He reported that the new law took effect on July 1, 2000, and by mid-morning July 5, all of the \$50 million in the program was exhausted. He explained that as the lending institutions forward repaid principal back to the state, these funds are made available for additional loans. The Treasurer is asking for \$55,000 in General Fund money for FY 2002 for 1.0 FTE accountant position and \$10,000 for other operating expenditures to administer this program. (Attachment 3)

Hearing on HB 2103 - Increasing total aggregate loans under agricultural production loan deposit program.

Chairman Johnson opened the hearing on **HB 2103**. Raney Gilliland, Legislative Research Department, explained that this bill would increase the amount of money available for loans under the Agricultural Production Loan Deposit Program passed by the 2000 Legislature from \$50 million to \$100 million. The bill would also increase the amount the Pooled Money Investment Board can invest in legislatively mandated loans to 13 percent of state moneys or \$120 million, whichever is less. Currently, the loans are limited to the lesser of 10 percent of state moneys or \$80 million.

Mr. Gilliland reviewed the procedures and qualifying criteria for the Agricultural Production Loan Deposit Program administered by the State Treasurer using Pooled Money Investment Board funds. He explained that state loan deposits are made to eligible lending institutions at 2 percent below the market rate; in turn, eligible

CONTINUATION SHEET

lending institutions charge no more than 2 percent above the market rate. He explained that no one loan can exceed \$250,000; that an eligible agricultural borrower must have a debt-to-asset ratio of 40 percent or greater; that only one loan can be made and be outstanding at any one time to any one borrower; that the loan must be used for agricultural production purposes, no capital investments; and that no loan can be amortized for a period of more than 8 years. He noted that the state is not liable for any of these loans.

Representative Sharon Schwartz offered testimony in support of **HB 2103** to expand the funds available for the Agricultural Production Loan Deposit Program which she had introduced. She reported that as farmers have experienced a combination of low commodity prices, drought, and increased debt load this past year, it is imperative that the amount of funds available to address these needs be expanded. ([Attachment 4](#))

Bruce Thornton, Vice President-Lending, Frontier Farm Credit, Parsons, appeared in support of **HB 2103**. He reported that Farm Credit Associations used approximately 28 percent of the total \$50 million of funds available last year, totaling \$14 million to 92 farmers and ranchers across Kansas. He noted that this program not only assists farm families, but stimulates growth and economic prosperity in rural Kansas communities. ([Attachment 5](#))

Roger Vanlandingham, Loan Officer, High Plains Farm Credit, Larned, testified in support of **HB 2103**. He believes the financial eligibility requirements for the program are appropriate, but urged consideration of a shorter repricing period than annually for the program's funds. Farm Credit would support removing the current annual repricing requirement and giving the State Treasurer's office the flexibility of determining repricing frequency. The State Treasurer would support this change. ([Attachment 6](#))

Bill Fuller, Associate Director, Public Policy Division, Kansas Farm Bureau, expressed support for **HB 2103** and discussed Kansas Farm Bureau policy adopted at their 82nd annual meeting supporting the low-interest agriculture production loan program and requesting adequate allocations to assist financially stressed agricultural producers during times of low commodity prices, weather related losses, and sanctions on export markets. Mr. Fuller included a copy of a memorandum from Don Garlow, Vice President, Peoples Exchange Bank, praising the simplicity of the program. ([Attachment 7](#))

Greg Krissek, Director of Operations, Kansas Corn Growers Association, and also representing the Kansas Grain Sorghum Producers Association, testified in support of **HB 2103** and the need for an expanded loan program. He noted that lower operating loan costs is one way that farmers can offset fuel, fertilizer, irrigation, and other increased costs of operations. ([Attachment 8](#))

Chuck Stones, Senior Vice President, Kansas Bankers Association, appeared in support of **HB 2103**. He reported that this program has assisted about 450 Kansas farmers with an average loan size of about \$115,747. He discussed changes some banks have suggested, including lines of credit, repricing frequency, and timing of principal repayments to the state. He noted that some of these concerns could be addressed through Rules and Regs, however, others would require statutory change. ([Attachment 9](#))

There being no other conferees, the Chairman closed the hearing on **HB 2103**.

Minutes of the January 20 and 31 meetings were distributed. Chairman Johnson asked members to notify the committee secretary of any corrections or additions prior to February 12, or they will be considered approved as presented.

Chairman Johnson reported that the Kansas Agricultural Remediation Board Annual Report submitted to the Governor and the Senate Natural Resources and House Environment Committees is available if anyone would like a copy.

The meeting adjourned at 4:57 p.m. The next meeting is scheduled for February 7, 2001.