

HOUSE TAXATION COMMITTEE MEETING MINUTES
March 9, 1981

A meeting of the House Taxation Committee was held on Monday, March 9, 1981 at 8:00 a.m. in Room 102 of the State Capitol. With Vice Chairman Rep. Bob Sivertsen presiding, all members were present except Rep. Harrington, who was absent, and Chairman Nordtvedt, who was excused for the first part of the meeting. SENATE BILLS 41 and 163 were heard.

The first bill to be heard was SENATE BILL 41, sponsored by Senator William Hafferman. This bill tries to "grandfather" in senior citizen centers which were established continuously since January 1, 1981 to Section 15-6-209 of the MCA's. Presently, the center would have to have been in operation since January 1, 1976, and under this definition the Senior Citizen Center in Troy doesn't qualify.

Rep. Glenn Mueller then rose in support of the bill. The County fathers are willing to forego the taxes from this source and it seems that these people deserve the same status as those who are presently covered under the law.

Rep. Marjorie Hart then rose in support of the bill, seconding Sen. Hafferman's comments.

There were no OPPONENTS to SB 41. There were no questions; Sen. Hafferman closed. The hearing on SB 41 was closed.

SENATE BILL 163, sponsored by Sen. Tom Towe, was then heard. This bill is the Beginning Farmers Act. He gave a short history of the bill. (1) Farm population is declining and the average age of a farmer is 51.1 years in the country. Agricultural land is being gobbled up by non-farmers. Because of the increase in prices, it is very difficult for farmers or those who want to get into it to acquire land. The country is becoming a nation of farm hands; people who are working for a salary or leasing the land. He submitted that farm ownership provides a better incentive to take care of the land.

The family farm is in serious danger and the State can do something to help this. He cited several different areas where this is done. This bill addresses farmers and ranchers and gives them the same advantages that others have. He explained the different loans available under this bill. The "second loan fund" in the bill is a key element. There is an incentive for retiring farmers to sell to beginning farmers. Other States have programs like this; this one is almost identical to the programs in Iowa.

He went through the bill section by section, and explained that the loan authority in the bill will be very similar to the Housing Authority already established in Montana. Line 24 on P. 5 needs to be amended from "diversity" to "adversity." He suggested that possibly the limit on a person's net worth might be eliminated, or changed to \$200,000. Also he suggested that there should be an applicability date in the bill, and said that an amendment would be drafted and submitted to the Committee on this.

Inasmuch as the Senate is not in a position to include appropriation measures the second loan program would require an appropriation and he suggested that the income from the Coal Trust Fund be used. He submitted an amendment to this effect; see Exhibit "A." He added that the House had passed a similar bill.

Wallace Edland, Director of the Farmers Home Administration, appeared in support of the bill. Many factors have changed on the federal level. As important as this bill itself is the policy of assistance to farmers in general. The FHA has been the leading agency for funding young farmers. The record over the years has been very good but there have always been more applications for funding than money available for funding. At present there are about 229 applications on hand and only enough funds for about half the requests. The federal government shouldn't be the only one addressing and assisting young farmers; the State should also help.

Keith Kelly, Department of Agriculture, then rose in support of the bill on behalf of Gordon McOmber. The importance of agriculture in Montana needs recognition and an agricultural bonding authority program is needed. The transformation in agriculture in the past has been from farm ownership to farm tenant operations. Of today's 2.7 million farms, over half of them have a gross income of \$20,000 or less. There is a maximum productivity in agriculture which is reached, depending on the size of the farm. Bigger is better, up to a point.

Sen. Towe pointed out that at the Senate hearing on this bill many more proponents had appeared, and Sens. Severson, Boylan, and Hager had also testified. However, in the interest of time he had not asked them to come back for this hearing.

Jo Brunner, representing WIFE, then rose in support of the bill; see written testimony Exhibit "B."

Ray Lybeck, representing the Dairy Association of Montana, then spoke up in support of the bill; see Exhibit "C."

Bob Stephens, Montana Grain Growers Association, rose in support of the bill. The \$100,000 limitation from a bank's standpoint is too low. Any young farmer with a tractor, combine, and other machinery is not going to qualify. He feels the limit should be raised or the purpose of the bill would be defeated. If amended, they would support the bill.

Ray Beck, Association of Conservation Districts and Montana Association of State Grazing Districts, then stated that both associations were very concerned with the problems facing young farms and were interested in taking part in helping with the problem.

Marie Hovland, representing Communicating for Agriculture, then spoke; see written testimony Exhibit "D."

Olaf Billequist, Montana State Grange, then rose in support of the bill.

Ron de Young then spoke in support of the bill. With depressed farm prices, inflated production expenses, it is hard to make ends meet even if things are going well. If he had to purchase the land he bought in 1975, the cost would be much greater. In his area, several young people are farming part-time and these people would be full-time farmers but they cannot get into farming and make a go of it. Agriculture is the only industry that is not allowed to use tax-free bonds and this is not fair. A young farmer would need the second loan program because one year of adversity sets the farmer back five. The part of the program providing for the income tax reduction for the retiring farmer is also important. They need an incentive to sell to a beginning farmer rather than the developer who would be offering a better price.

Joe De Long, Vice President of the Montana Farmers Union, then rose in support of the bill. Agricultural land can either be subdivided or young people can be given a break.

Gary Dyer, a Brady resident, then spoke up in support of the measure. There are many young people getting into farming that could utilize this type of program. He submitted that those who have some assets and experience and can go into farming will be able to make a success of it. He thinks there a number of people that would fall into this category. In many instances, brothers could expand a farm and make the operation viable. However, at present when a large farm goes up for sale, only the big corporations are able to purchase it.

George Bousliman, representing the G. T. Murray Company and Bear-Stearns, Inc., then spoke. These two bonding companies worked with Sen. Towe on this bill, and feel it is a workable bonding bill and if it passes, they would like to bid for the business.

Ann Scott, Montana Farmers Union, then rose in support of the bill. The argument that land prices are too high and the returns are too low and nothing can be done to help this anyway was addressed. Ten to twenty years ago most people buying agricultural land also felt they were going out on a limb. What was considered a high land price then is a low price today, and tomorrow, today's prices will also be considered bargains. Regarding the argument that efficient farming demands bigger operations and those in operation today will have to expand to remain competitive is refuted by the USDA, which has found that at 100% of economies of scale, 1,475 acres is optimum. Montana is already beyond that amount. She suggested that it was a viable possibility for young farmers to reach the 100% efficiency of scale after several years in agriculture. 90% efficiencies of scale are actually reached at about 500 acres of cropland.

Regarding the argument about discriminating against other people wanting to get into other businesses and the possibility that one bill could cover everyone, agriculture has enough unique characteristics that it would be difficult to include other business interests under the same bonding authority. Separate authorities and boards are needed to do justice to both small business and agriculture. The argument

that those involved in agriculture at present got there by not having any breaks and those trying to get started now don't deserve any breaks either, if those in agriculture look back at the pressures they were faced with, these pressures weren't as great as they are today. She said she felt this bill was a beginning in addressing the problem of trying to have a healthy, stable farm economy in the State.

Rep. Ted Neuman then rose in support of the bill. He pointed out that more than \$9 billion in Montana land value will soon be changing hands and someone is going to pick up that land, and part of the Committee's decision is who do they want to take the land over. He submitted that they wanted young farmers to take over and continue farming the land. The present tax structure has led the state into the problems it has today. The Inheritance tax is one big contributor. The tax credit provision of this bill will help considerably in this area. This bill would address the problem of finding a way to pass the land on to the younger generation.

Sherry Fields, Lewistown, Montana, then rose in OPPOSITION to the bill; see written testimony Exhibit "E." She doesn't believe low-interest loans will make people any more successful at farming than they would otherwise have been. A Commitment to buy land is being made to people who aren't prepared to pay for it under this bill. The net worth limitation is her greatest criticism of the bill. What is needed is not beginning farmer legislation but something for the middle-bracket agriculturalist. She submitted that HB 640 would help the most as far as agriculture.

Sandy Stahl, also from Lewistown, then rose in opposition to the bill; see written testimony Exhibit "F."

Questions were then asked. Rep. Burnett asked Mr. Edland what the requirements were for a loan, and if there was a requirement on the net return on the investment. He replied that the loan had to "pencil out," and supervision to make sure that the farmer had success is one of the key requirements. They need to work out a complete "farm plan:" total expenses vs. total income has to show a profit. Most young farmers have to have assistance from the family or others to get started.

Rep. Burnett asked Sen. Towe if he didn't feel this was kind of a band-aid effort, and wanted to know why he hadn't instead tried to correct some past mistakes such as the numerous restrictions and limitations which were set on businesses in 1973. Sen. Towe said he didn't think this bill was a band-aid approach. He pointed out that in 1973 the Housing Authority was set up. Help is given to urban people to get homes, and he wanted to know why this couldn't be done for farmers, also.

Sen. Towe stated that most of the opposition's comments were addressed in the bill.

Rep. Switzer submitted that \$50,000 wouldn't buy much land. Sen. Towe replied that the \$50,000 was off State tax returns.

Rep. Williams commented on the fact that no age limit had been set in the bill. Sen. Towe submitted that a person aged forty shouldn't be excluded and therefore no age requirements had been put in the bill. He didn't think there would be a problem in this area. He submitted that the people with the best chances of success were those with the training and experience, who would be those who had already been at it for 12-15 years. Rep. Williams suggested that 45-50 years be put into the bill as an age limit. Sen. Towe said he wouldn't object although he didn't agree that the amendment was necessary.

Rep. Williams questioned the chances of success in agriculture, when taking into consideration the price of land and the current rate of return on agriculture. Sen. Towe submitted that the venture could be successful; however, he admitted that there were some places where the bill might not work, even with a 10% interest rate. Rep. Williams brought up the fact that the Industrial Revenue Bond Act provided a similar program for all industries, including agricultural production. Sen. Towe said that he had conversed with a bonding house in New York that was convinced that it would be possible to have an agricultural loan program without enabling legislation. However, it would require a complex set of events County-wise, and there would be no control over the applicants and who they would be. This bill sets up the criteria and the program and makes it possible and the approach would be much less slipshod, therefore.

Rep. Brand wanted to know, under the present system, how many farmers trying to get into the farming industry went broke, and Mr. Edland said that it was a small percentage. Rep. Brand then asked, regarding the statement that 229 applications were presently filed, he wanted to know what percentage of those people would get loans. Mr. Edland confirmed that the federal FHA funding cutback would be about 53%. Therefore, there will be less money available for agricultural loans.

Rep. Asay submitted that there was a need for something like this bill, but if the intent of Section 23 of the bill was to keep agricultural land in agriculture, he wondered if the restrictions shouldn't be relaxed. Sen. Towe said possibly the section could be removed but he urged that the last two lines of it be retained because if someone abusing the situation were to come into Montana, the restriction would be necessary.

Rep. Asay wanted to know why so much government involvement needed to be included in the issue. Sen. Towe said that language could be put in that the transaction be approved by the Department of Revenue first. That would be alright but he doesn't think they want this unlimited.

Rep. Nordtvedt then asked a series of questions: (1) Why is such class legislation needed. Sen. Towe replied that he agreed in principle that all areas should be covered, including businessmen. However, the need

if these are not put in, there would be Constitutional problems.

Rep. Devlin spoke regarding the part in the bill that says corporations may not apply. He pointed out that many ranchers and farmers have set up corporations for passing on shares of the farm on a yearly basis in order to pass the farm on. He wondered if these situations could get assistance under the bill. Sen. Towe said the person who was already in a corporation probably wouldn't need the help. He felt these people wouldn't qualify. However, once one qualifies and the loan is approved, a corporation could be formed. He didn't know about buying shares out of a farm corporation. However, the person as an individual could probably qualify. The Authority may be a little skeptical of letting people buy shares of a corporation rather than the land outright.

Rep. Roth asked Sen. Towe if the bill was to benefit the beginning farmer, and he replied this was the intention. She then asked Mr. de Yong about his expansion statements in relation to this idea. He stated that people need a break to move into a full-time operation. They need to expand to come out ahead. Sen. Towe said he saw the bill as primarily to help the individual who didn't own land, however. That doesn't mean to say that it wouldn't also be helpful to the person wanting to buy additional land.

Rep. Roth had a question regarding the statement about people both farming and with another source of income. She wanted to know if these people would be considered to be in the farm business or the other business. Sen. Towe said that about 50% of the farms and the farm products in the country were produced by persons now part-time farmers. This bill doesn't say that the person cannot have any other job. If the other job will help the person make a go of the farm, he shouldn't be refused a loan. Rep. Roth submitted that the bill would enable these people to compete with legitimate, full-time farmers. Sen. Towe expressed the belief that those born and raised on a farm who got a job in town was the person that should be considered. Rep. Roth wanted to know if Sen. Towe concurred with the idea that the person would never make a go of farming unless there was this supplemental income. Sen. Towe said that ultimately they would be able to go into farming full time, hopefully. He added that he didn't want to discriminate against farmers with other jobs but the bill could be amended to apply only to full-time farmers.

Rep. Roth questioned that the bill would create additional bureaucracy in the State. Sen. Towe said this wouldn't be the case because the Board of Housing hadn't created such a situation, and he didn't think the Board would proliferate.

Rep. Bertelsen asked Mr. Edland about the \$100,000 ceiling. He wanted to know if this would be a barrier to helping the people the bill was aimed at. Mr. Edland said he thought it would be, and would like to see at least a \$200,000 limitation, if not an open-ended limitation with the loaning left up to the discretionary power of the Board.

Rep. Switzer wanted to know if a borrower not needing a secondary loan would be more eligible than one needing one. Sen. Towe said if there is someone who has an opportunity, a second loan should be given, but if his prospects aren't good, then it shouldn't be. Bankers make this decision, however.

Rep. Devlin asked Sen. Towe if he thought it was fair to compare the Board of Housing with the Board to be set up under this bill. Sen. Towe replied that he thought the Board of Housing had done a very good job at knowing how to handle the bond situation, and this bill is intentionally giving a great deal of discretion to the Board to design a program so that the bonds will sell the best. He feels the Board can be relied on to do this. Regarding making the loans, the Board of Housing went through private lenders, and this loan authority would utilize private lenders also. He feels it wouldn't be good to get into the business of making loans on the State's part. Therefore, these two boards are very similar.

Rep. Harp wanted to know how this would work. Sen. Towe explained that the Board would be appointed by the Governor. The Authority would retain a bond council, they would have to do some work to identify what interest rates were doing and if they felt the time was right, bonds would be sold through an underwriter. The bonds are tax-exempt and because they are, this is attractive to investors, and the State rate is dropped down. A great deal of the operation depends on timing.

Rep. Burnett asked Sen. Towe about going to the banks for operating loans. They don't give 100% on operating loans. It is his experience that other than for that two out of eight years, they are all bad years and unless there is some way of full backing on collateral, the borrower won't be able to get enough money. Unless this bill could include some "guarantees of operation" loan, it wouldn't be workable. Sen. Towe stated that on P. 7, this area is covered. Livestock and machinery are the collateral. Also, Line 22 says that the borrower must have prospects of succeeding.

Rep. Asay wondered what would keep the Governor from making biased appointments to the Board. Sen. Towe said it would be alright with him to amend the bill to cover this possibility.

Rep. Vinger wondered if the bill might not lend itself to corporations becoming bigger. Sen. Towe said the bill doesn't allow one to consolidate into other corporations. Rep. Vinger submitted that corporations would be getting bigger whether or not this bill passed.

Sen. Towe then closed. He conceded that the bill would not solve all problems. That doesn't mean the State shouldn't try to do something, however. This bill will make it easier for a farmer to own his own operation, and he thinks this should be encouraged. Something has to be started now, even though the situation looks bleak for farming.

Something good in the system is lost if out-of-State corporations are the owners of agricultural land. He thinks this bill is a viable vehicle to work with. The net effect is that interest rates will be dropped for some people.

He submitted that objections to the bill are answered by the bill already. However, he would like to see the net worth question addressed. If the Committee has problems with the authority, he agreed to work on this. He submitted that the incentive program in HB 640 was probably unworkable. The hearing was then closed on SB 163.

The meeting adjourned at 10:30 a.m.

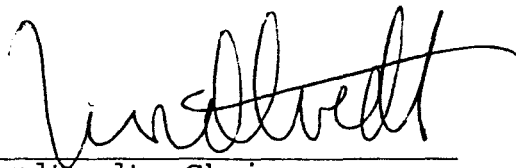
Rep. Ken Nordtvedt, Chairman

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A handwritten signature in dark ink, appearing to read 'Nordtvedt', written over a horizontal line.

Rep. Ken Nordtvedt, Chairman

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VISITORS' REGISTER

HOUSE 70, 0000

COMMITTEE

ALL 512 77

Date 10/21

SPONSOR

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

VISITORS' REGISTER

HOUSE

COMMITTEE

LL 163

Date

SPONSOR

NAME	RESIDENCE	REPRESENTING	SUPPORT	OPPOSE
Ray Lybeck	Kalispell, Mt.	ADA of Mont	✓	
Billquist	Anaconda Mont.	Montana State	✓	
Lois de York	Kalispell	Self	✓	
Harry Wilder	Helena	Self		✓
John Hall	Helena	Self		✓
Ray Beck	Helena	MA & D	✓	
Marie Harland	Col. Falls	CA	✓	
S. Brunner	Helena	W.I.F.L.		
Joe A. Long	Samuel	—	✓	—
Bel Stephen	Dutton	Int. Union	✓	
Gary Dyer	Broady	Self		
Keith Kelly	Helena, Dept. of Agr.	Dept. of Agr.	✓	
Wallace Edland	Bozeman	DIRECTOR, Fm HA	✓	
George Boushman	HELENA	G.T. MURRAY CO. & BEAR-STEARNES, INC.	✓	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Standing Committee

Amended to SB 163

Title, page 1, line 10

Following: "FARMERS;"

insert: "PROVIDING AN APPROPRIATION FROM
THE CONSTITUTIONAL COAL TAX TRUST FUND;"

Section 28, page 17, line ~~15~~ 16

Following: Section 27 and line 15

insert: "Section 28. There is appropriated to the
authority the sum of \$2,000,000 from the
Constitutional coal tax trust account for the
second loan fund provided in section 6."

Remember subsequent sections

Submitted
by Towne
March 10, 81

Name-----Jo Brunner

SB 163

Address----Helena

3/9

Women Involved in Farm Economics

Support

Mr. Chairman, members of the committee, for the record, my name is Jo Brunner and I am happy to represent Women Involved in Farm Economics at this hearing today.

Over the few years since W.I.F.E.s organization, the problem addressed here today is one that many of us have worked diligently on. We are very concerned that many of our young people, or those of any age with the interest, the desire, the knowledge and working experience have not been able to move forward into an agricultural operation of their own. Whatever the cause, whether it be the unavailability of the land, of the operating money, financing the land itself, or the high interest they must pay, the fact remains, many of our people are not able to get the start they need.

On the other hand, we have those ready and willing to retire, and those forced to for various reasons, who must choose between selling to interests other than a relative, a neighbor, a trusted employee and an organization or business with readily available money. Sometimes, no matter how much we would like it to be different, that decision is indeed made for us, because we cannot afford, ^{or as in} ~~in the case of~~ the case of the IRS, not allowed, to sell to those we would rather have our farm or ranch. ^{at a reasonable price} Many land owners are staying on ~~the~~ operation today, because they are unwilling to sell out to such businesses, or even to the ^{small} large landowner who wishes to further enlarge his operation---and because the money, the ways and means are not available to those he would rather sell to. *Insert - page 5*

Women Involved in Farm Economics is an organization dedicated to the preservation of our family farms and ranches. We are not willing to let the pride of ownership ^{of the land} and a job well done die with our generation.

And while we realize that sentimentality toward land seems to be a thing of the past, we are not willing to relinquish our inherent love for the soil into the hands of progress or to those who feel the only criteria for owning land is the desire.

While we feel you have a headstart in an agriculture operation if you were born and raised into it, we want those who are capable, knowledgeable, able workers to be given a chance to prove their worth, whether it be from age one on the old homestead, or working out, or leasing from others. And we want those who wish to retire and turn their land over to younger bodies, to be able to do so without worrying about our friendly collection agency, the IRS taking such a large slice.

It is our contention that solid security for the bonds; guaranteed second loans, of the proposed agencies handling such loans; ~~xxxxxxxxxxxxxxxxxxxx~~ the composition of the loan authority; combined with the criteria for eligibility for such loans, should be reasonable and beneficial to both the buyer and the seller, and that these things combined with discriminate participation are conducive to a workable program.

We have one problem with the net worth situation. If you will turn to page 7, Section 9, lines 13-14, we feel that this should be increased to \$200,000. In this day and age, it doesn't take a tremendous amount of machinery or cattle, or the combination of the two added to a few acres of land to reach \$100,000, so we ask that this be changed to \$200,000.

Mr. Chairman, members of the committee, it is not uncommon to hear in these halls that agriculture has been getting tax breaks, and special treatment and if it is true that agriculture is Montana's main business, they should bear the brunt of the costs concerning that business.

It is easy to rationalize that someone will always do the raising of our food, the work that needs to be done to feed the world. We are sure that this is so. But W.I.F.E. is also sure that our system today feeds the

nation and the world much cheaper than would large agri-businesses and corporations who would have to contend with unions, cost of living hikes, profits for the stockholders, something that doesn't seem to be much of a problem right now---plus the very important fact that we are involved and care about the business. We feel we can take care of the business better than a bloodless entity can--we feel we need the help this type of legislation can afford, to both the beginning farmer and the one who has dedicated his life. Money generated back into the community and state are added incentives to encourage passage of legislation such as this bill. W.I.F.E. feels that it is time agriculture was acknowledged as a business, not just an avocation and that we be accorded the same ~~business~~ incentives as other businesses.

~~We concur with FERRY~~
~~XXXXXXXXXXXXXXXXXXXX~~
Thank you

It is important that we recognize the pressures on our agricultural land for development--urban, commercial, industrial, and speculative. (The conclusion of the National Agricultural Lands Study endorsed by Secretary of Agriculture, John Block, states that an ag land crisis will hit the U.S. within 10 years unless urban sprawl is stopped.) These factors inflate the value of farmland, making it attractive to retiring farmers to sell to the highest bidder. The value of the land is the farmer's retirement program and often times is the payment for years of back wages for labor costs which were never calculated into cost of production. If the farmer keeps the land in production, he will receive only the going price for productive land in his area, not a development price. The tax reduction in Senator Towe's bill to the retiring farmer who sells to a beginning farmer provides a long needed tax incentive, not only to keep ag land in production, but to get beginning farmers on the land. Remember, the average age of the American farmer is now 58. Who will be our future farmers if qualified individuals cannot afford to get into farming. The tax reduction in SB 163 is as vital to the bill as is the loan program. It is an adequate, much needed tax incentive.

WITNESS STATEMENT

EXHIBIT "C"

NAME Ray Lybeck BILL No. SB 162
 ADDRESS 500 E. Prairie Ln. Kalispell, Mt. DATE 3-9-81
 WHOM DO YOU REPRESENT Dairy Assn of Mont.
 SUPPORT ☒ OPPOSE ☐ AMEND ☐

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments: I feel Montana has a real opportunity here in this bill to make an investment in the future of the ~~young~~^{beginning} farmers of Montana. There has been a steady decline of dairy men in our state from a high of over 1000 to as of today less than 300. And due to the very high investment in equipment, which is very specialized, and also the cost of cows which average about \$1200 per animal, it is essential if we are to get young people into farming and particularly dairying, they will need assistance and we feel this bill will give ^{some of} the help needed.

as to the claim from some ^{who} oppose this bill that it would drive up the price of land to new artificial highs, I'd just say in our area, the land developers & sub dividers are driving up the price of land higher and faster than any farmer can.

Thank you for your time

WITNESS STATEMENT

NAME Ray Buck BILL No. SB 163
ADDRESS 7 Edwards DATE 3/9/61
WHOM DO YOU REPRESENT MAED + MASLD
SUPPORT X OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

The Int. Association of Conservation Districts
and the Int. Association of State Leasing
Districts would like to be shown
in the record as in support of
SB 163.

We realize that there are several bills ^{thousands}
supporting the beginning farmers concept. We
support SB 163 and hope it can be passed
and that we continue to create and
very good beginning farmers bill.

Thank-you-

I would like to have it shown on the record
that both Assoc are very concerned with the financial
^{obstacles} problems facing young and beginning farmers and that
we are extremely interested in assisting programs
or legislation that will reduce or eliminate these
obstacles. Both Assoc support SCS 163

WITNESS STATEMENT

NAME Marice Harland BILL No. SB 163
ADDRESS R. 1 W. Gl. Falls DATE 3-9-81
WHOM DO YOU REPRESENT Communicating for Ag.
SUPPORT ✓ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

CA has been fundamental in helping this type of Bill be passed in many other states. They feel very strongly that the Family Farm is basic in Ag. And that without young people getting into Ag the Family Farm will disappear and so will result in higher prices of food.

We are personally concerned also as we have a son who wants to continue the family farm - which has been in the family 3 generations - and it is almost impossible with the current laws for him to buy into it. We want him to have a chance.

Mr. Chairman, Members of the Committee:

My name is Marie Hovland and I represent Montana on the National Board of Directors of Communicating for Agriculture, which is a non-partisan, non-profit Rural Advocacy Organization. My husband, Einar, and I operate a ranch, which has been in the family for 3 generations, near Great Falls.

I would like to Thank the Members of this Committee for the opportunity to speak in support of Senate Bill 163, a Bill designed to provide greater opportunities for young people to get started in farming and ranching.

One of Communicating for Agriculture goals is the preservation and promotion of the Rural American Way of Life. We believe that the Heart of Rural America is the Family Farm.

Belief in the importance of the Family Farm leads us to the importance of Legislation designed to assist beginning farmers in obtaining credit for the acquisition of farm and ranch land.

Family farming has always been the backbone of America. Family farms have increased productivity 3 times faster than any other segment of the economy. One hundred years ago a farmer could feed himself and 4 others. Today a farmer feeds himself and 60 others. Despite this tremendous efficiency, the family farm is in trouble.

The age of the average American Farmer today is between 55 and 59. This statistic has very unhealthy implications for Agriculture in the United States. It could mean that with the passing of this generation of farmers and ranchers, there will be so few young people to carry on that our nation's food-producing land will pass into the hands of giant Corporations, Trust and Investment firms.

We do have a personal interest in this matter, as our son wants to continue the family farming operation, but due to high interest rates and high land prices it is almost impossible for him at this time to buy part of it.

Traditionally, Agriculture has been the healthiest segment of the American

Economy because of the large number of individual family farmers and ranchers who have been involved in it. Family farmers and ranchers care. They are good managers. They produce high-quality food which is available to consumers at reasonable costs. They are good stewards of the soil and they are attempting to pass their legacy to future generations.

But without proper safeguards, this could all change. In order to maintain the viability of the family farm and the family ranch --- in order to maintain a healthy diversified agricultural economy --- it is important that more young people become involved.

Several states have taken steps to alleviate this serious problem. Minnesota, has had since 1977 a program designed to help young farmers acquire start-up capital, along with a provision which provides tax incentives for retirees who sell their land to qualified young farmers. The Minnesota program has been enormously successful.

Similar programs in other states are newer --- most of them either were approved during 1980 or got underway during the year -- but already they show signs of working well. Now in 1981, legislatures in at least 10 other states, including Montana, are considering their own individual variations of bills that would help qualified beginning farmers and ranchers get started on their own.

It seems apparent, that this is an idea, whose time has come. It seems equally apparent, that programs of this nature represent the answer to the situation which is freezing young people out of Agriculture and thus threatening the entire Family Farm concept.

I want to say that Senate Bill 163 is an excellent bill which will be of great benefit to the rural sector of Montana, and considering the benefits which the program would provide, it would be a comparatively inexpensive undertaking for the state.

Programs such as this are designed to strengthen the free enterprise system by allowing more people to participate. They're designed to strengthen the Family Farm system by allowing more people to participate. They're designed to allow the United States of America to continue being the Land of Opportunity.

Communicating for Agriculture strongly supports this Legislation. We ask you to take favorable action on Senate Bill 163, for the Good of Montana and Agriculture.

Thank you for the opportunity to speak in support of Senate Bill 163.

WITNESS STATEMENT

NAME Cliff G. Bullman BILL No. 163
ADDRESS 97 #1 Box 3-D DATE March 9-1981
WHOM DO YOU REPRESENT Montana State League
SUPPORT ✓ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments: Montana State League has supported
some action along this concept for some
years and still does. I'm filling in for
Forrest Farris, I know he'll be available
later for probable input and support.

WITNESS STATEMENT

NAME Ron de Young BILL No. 163
ADDRESS 493 Kinsdale Rd DATE 3/9/81
WHOM DO YOU REPRESENT Self
SUPPORT ✓ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

My personal experience has definitely pointed toward the need for a Beginning Farmer Bill. The provisions within this bill are excellent and would be of tremendous help to many young people in my area who would make excellent full time farmers.

WITNESS STATEMENT

NAME Gary Dyer BILL No. SB 163
ADDRESS Brady MS DATE 5/9/81
WHOM DO YOU REPRESENT self
SUPPORT ✓ OPPOSE _____ AMEND _____

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Comments:

Gary Dyer

I would like to lend support to this testimony by pointing out that there are a number of realistic situations where this program can & it's sure will be utilized. I listened to the debate of this bill when it was on the senate floor. Virtually all of the opposition that was expressed centered around the idea that if this program goes into effect that all it will do is give money to a young person who will then go out and buy a farm and because of the price of land & equipment will get into financial problems & go broke anyway.

I would like to point out that there are a number of young people who are coming back to farms & that this program could benefit through expansion - ^{instead of} ^{rather than} ^{an extension of an existing} ^{unit} ^{in my} community. There are approx. 25 young farmers under 35 - several situations are brothers who have come back to the same farm.

Several of these situations could include units that are somewhat marginal - not to the extent that they are not going to make it only to the extent that they would be better off if they could expand.

Another situation, a friend who has been leasing a

Testimony on Senate Bill 163 submitted by Sherry Fields, Gilt Edge Rt., Lewistown

Members of the committee:

My name is Sherry Fields. I am 29 years old, a rancher's wife and what could be called a 'beginning rancher'. I do not consider myself a beginner because I have lived on ranches all my life, but three years ago I began increasing my cow herd, going from 10 head then to almost 200 head now. I am deeply in debt and the present interest rates are hurting me badly, badly enough that I would qualify for a loan under the provisions of SB 163. Even if I had land to buy and received a low interest loan, I could not pay for it, assuming cattle prices remain what they were last fall.

I suspect the same is true of many people in both cattle and grain operations. As long as prices for cattle, grain and hogs remain at their present levels, people who are not totally out of debt when they buy it cannot pay for land.

The dream of land for everyone is an ancient one. It has led to such historic events as the settling of the Americas, the Russian revolution, the flight of the Jews from Egypt and, closer to home, the settling of the western United States.

That ancient dream has led us to consider this legislation. In essence, this bill will make it easier for one portion of the population to acquire land, not for nothing, but for very much less than anyone else.

The Homestead Act was as close as we will ever get to really being something for nothing. It was land free just for living on it. Look at the abstracts of land from throughout the eastern half of Montana. They are records of small tracts of land on which industrious, dedicated people could not make a living. Only when those small tracts were consolidated into larger holdings could the landowner survive. Even now, those of us who work the land survive only by continuing to increase our production and our production potential. We do that by increasing our efficiency and the amount of land on which we operate. Over the years, especially in the last 40-

years, those who did not become more efficient and those who did not expand have left agriculture, driven out by rising costs and diminishing returns. They, and those of us now operating, are having trouble making ends meet because the value of the land is inflated beyond the value of the products we produce on it.

I do not believe low interest loans to people less experienced than we are, and younger, will make success any more certain for them. I do not believe they can make a living from the land if the state buys them a homestead-sized piece of ground and I'm sure they cannot make it if the state buys them a large acreage for which they do not have the livestock or machinery.

Look at these specifics of SB 163. 1. The lending authority established in Sections 3&4 has too many powers. Its limited only by the \$200 million it can sell in bonds. There are no interest rates, minimum collateral, or repayments schedules established by the bill. There is no guarantee the loans will be at a low rate of interest...In fact, there is no guarantee a loan will ever be made because the board may invest the money from bond sales. The bill says the authority may make loans, it does not say the loans must be made.

2. Another bureaucracy is created by Section 3,5. It can spend the money from bond sales any way the board members decide. It is obligated to pay whatever staff it believes necessary according to state pay scales. The board answers only to an auditor, except for making an annual report to the legislature.

3. There is no actual provision for foreclosure, or criterion for determining default on the loans.

4. There is no limit on the borrower once he takes possession of land. The borrower can sell to anyone, anytime, for any price. There is no guarantee land will remain in agriculture, that it will not be sold to developers, foreigners, large landowners or other non-agriculture people.

5. Net worth (Sec.9) cannot exceed \$100,000. This provision will exclude many of the most-competent, best-qualified, but unlanded people in Montana agriculture. Cattle producers, some grain and diversified farmers who are most capable of succeeding.

ing in purchasing land. That provision will limit land acquisition under the loan program to small farmers or those who do not have the livestock and machinery to ~~stock~~ an operation which is potentially self-sustaining.

6. The net worth clause coupled with the access clause of Section 9 will certainly make the loans more available to the sons and daughters of Montanas wealthier landowners. I believe access in this case (the clause says access to livestock and machinery) is the same as a gift and should therefore be included in net worth. It seems to me that access is a contradiction which will exclude deserving, even needy people who do not have parents or friends willing to give them livestock. A cow or ewe, or even a sow is not something you can borrow. While you can use and return machinery, the value of livestock is in their produce, not simply in the fact that you have them.

7. Three provisions of Section 9 (iii, v, 2) are contradictory in that they require inability to get financing, prospects for success, and the best-qualified and most-deserving be considered in the granting of the loan. The inability to get financing elsewhere is a good indication that the prospects for success are not good.

In fact, I have not heard of any land offered for sale lately where the prospects for success are good if one is depending on what the land will produce to pay for it. The loan board may never make a loan if it considers that.

8. The 9 % or less long term sales contract required to qualify for the tax break is more of a penalty than an inducement. When private industry is paying up to 15% interest on short-term savings accounts not many people can afford to sell for such an interest rate. Without the added incentive of a tax-break from the IRS the seller will be wise to increase his sale price, cut down the interest rate and ^{thus} qualify for the tax break.

I believe the most practical way to encourage land sales to beginning farmers is by giving large tax incentives to those who sell or lease their land to people who will keep it in agriculture. Legislation which places large amounts of money in circulation for land purchase will increase already inflated land prices. (A

comparitive example is the cost of medical care and hospitalization since the advent of Medicare and Medicaid.) I believe real estate agents and landowners will benefit most from the passage of SB 163 and like measures.

There are currently two great roadblocks to buying land. The first is the inflated price of land; the second is the depressed value of commodities produced on the land. The only true way to encourage beginners in agriculture is to raise the price of commodities to a value which will allow production to pay for land. The profit motive will then be sufficient incentive that the young people will return to the land.

The worst thing about this legislation is that its passage will have a detrimental effect on the purchase of land by the best-qualified farmers. Couples who have worked and sacrificed to build up their assets, who have reduced their debt so they have a chance to make a living and buy land will suddenly find themselves priced out of the land market. They will be too wealthy to qualify for these loans but will not be able to offer tax advantages and therefore will not be able to compete in the land market.

Even today, given the inflated price of land, there is no one who can pay for land simply from what it produces. In fact, rarely in the history of this state has that been possible. Most of the farms and ranches in Montana were paid for by the rising value of the land. Because there is a limit to the amount of land but no limit to demands for land use, this will always be a fact of life for agriculture. People will continue to operate by selling one piece of land and moving on to another. Long-established family farms and ranches were built up over the years by buying small tracts as they became available but all of the successful ranches in our area are owned by people who have sold other ranches before paying for their present one.

I do not understand, or sympathize with, the sudden concern for the young, beginning farmer. It is most often the existing farmer and rancher who is being left behind by our economy. It is not only easier to get financing now than ever before in

history, but life is much easier. Contrast our life style, our clothing, our transportation, our medical care, our opportunities, to those of any other generation. We have it soft. Yet someone has promoted the idea that the youth of this nation, the beginner, is entitled to special treatment simply because they are our young. I disagree. It was the hardships they endured that made earlier generations strive for, and achieve, the things they did.

The heartfelt goal and dream of everyone who is engaged in farming and ranching is to own their own land. It is my dream and ambition for myself and for my children.

But I do not believe that anyone beginning in agriculture should be guaranteed land, any more than a law school graduate should be made a judge, a freshman legislator should be speaker of the house, a carryout boy should be given a chain of grocery stores and every business major a corporation to preside over.

What is needed is not 'beginning farmer' legislation, but legislation which will make land purchases easier for the middle-bracket agriculturist. The farmer needing help buying land is the one who has worked hard, increased his net worth and lowered his debt to the point where he can stock and work a place successfully. He has proven his desire to stay in agriculture and his ability. It is he who deserves land, land he cannot pay for at today's prices and high interest rates.

The challenge of life takes dedicated people, not people wanting a guarantee or an easy way in. The challenge of agriculture requires the highest devotion and desire. Your no vote on SB 163 will guarantee that those who really want to be on the land will be the ones able to purchase it.

This committee, and the House, has already passed a bill which comes much closer to solving the problems of agriculture I have mentioned. With the exception of the net worth clause HB 640¹⁵ legislation which will help the most, and best, people in agriculture.

REC'D 8/8/51
EXHIBIT 17

TESTIMONY IN OPPOSITION
TO SENATE BILL 163

GIVEN BY

Sandy Stahl

Gilt Edge Route

Lewistown, Mt. 59457

I believe that the enactment of Senate Bill 163 into law would have a detrimental effect on agriculture in the State of Montana.

Although this program might benefit a few "beginning agriculturists", many others in agriculture will be hurt.

This bill could easily cause more rapid inflation of land prices. Agricultural land prices are set by demand for the land and the ability of prospective buyers to secure the necessary financing. If the state of Montana makes financing available to one segment of society, land prices will be raised for everyone. This will make it even more difficult for the rest of us to buy ag land. Granting low-interest loans to a chosen few at the expense of others will not benefit agriculture in the long run.

To help beginning farmers get started in agriculture Senate Bill 163 will help them acquire land. I don't think that is the best way to start. Most people who operate their own businesses today did not "begin" their careers owning a business. They first gained experience and maturity by working for someone in their chosen field. This is the most practical way to begin in agriculture, too. There are many agricultural units in Montana which need dedicated, reliable help. It is these units which make getting started in agriculture possible.

To illustrate my reservations about Senate Bill 163 I would like to use as examples three "beginners" interested in obtaining a loan under the bill.

#1 has had five years of experience working on a ranch. His employer has allowed him to buy cattle and run them as part of his wages. He now has 50 cows on the ranch. He also bought 200 yearling

steers which he wintered in a feedlot and is summering on leased grass. Valuing the cows at \$600 each, they have a total value of \$30,000. Valuing the steers at \$450, their total value is \$90,000. Even without his personal belongings #1's net worth is well over \$100,000.

#2 is a recent college graduate with no practical ranch experience but a degree in Ag Economics. He owns a pick-up and other personal items giving him a net worth of \$10,000.

#3 is 38 years old. He is presently leasing the 200 head cow-calf operation on which he worked for 12 years. His lease will terminate in two years when the owner's son will graduate from college and return to run the ranch. He has the livestock and machinery needed to operate a nearby ranch which was recently put on the market. His net worth is over \$200,000.

According to the rules set in Senate Bill 163, #2 is eligible for a low-interest loan for buying agricultural land and #1 and #3 are not. This bill actually penalizes people who have worked in agricultural production long enough to have made substantial financial gains on their own.

I'd like to continue with the three examples I already mentioned and assume that all three of them wanted to buy the same ranch. As I said, #1 would not qualify for a low-interest loan under the bill and would have great difficulty getting financing elsewhere. #2 could qualify for a loan under this bill. #3 might get financing elsewhere, but this bill will make it more difficult for him to have a genuine chance to buy the land.

The person selling this ranch will get tax benefits only if he sells to #2. If you put yourself in the seller's place you must admit that #2 has an unfair advantage in the situation. No one wants to pay any more taxes than necessary. #1 and #3 are actually penalized for their years of experience and higher net worth. This bill would not only add more competition for existing ag land, it also gives the competition an advantage.

Any time a government agency is supplying money to help one segment of society, another segment raises its prices to get more of that available money. In this case, the only stipulation the seller has to meet is to sell at 9% interest or less. To offset the loss he will have by selling at that interest rate he can simply raise his price per acre. This will effect not only his sale but the sale of all other agricultural land in the area.

Although getting started in agriculture is difficult it is possible if the desire is truly there.

I am 28 years old and have been married eight years. My husband and I have worked for one ranch since our marriage. Although we might qualify for a loan under Senate Bill 163, I could not support any legislation which penalizes hard-working people because, financially, they have more than I do.

Testimony in Opposition
to Senate Bill 163

by

Don and Yvonne Snider

Gilt Edge Route

Lewistown, Montana 59457

Senate Bill proposes to make low interest loans available for the purchase of land for "beginning" farmers in order to provide an opportunity to "get a start in agriculture."

Buying land and getting a start in agriculture are not synonymous. It is a fallacy to believe that beginning farmers cannot get a start in agriculture.

This statement is supported by the following statistic which is taken from a Congressional Budget Office Report printed in 1978. "Between 1970 and 1976 the number of persons self-employed in agriculture under 35 years of age rose from 265,000 to 359,000--a gain of 35 per cent. Also fewer over 60 were still farming so the median age of farmers fell from 53 years of age to 50 years of age between 1970 and 1976."

I can name 5 young couples in my neighborhood who are under 30 years old who have "started" in agriculture within the last 8 years, none of them with help from parents. Three are leasing, one is working for a rancher where he runs his own livestock, and one couple (both city kids) inherited enough money to make a down payment on 200 acres, and he is now working as a cement finisher and musician to support his land and family. None of these young couples have had any trouble getting the necessary financing for livestock, equipment or operating costs. If they had they wouldn't be where they are.

Four of these couples are getting an excellent start because they are accruing the necessary ingredients for success in agriculture--they are establishing a credit rating, gaining valuable experience, and building their equity or collateral. By the time they have reached a state of business acumen where they could successfully pay for a viable unit of

land, their net worth will certainly exceed \$100,000. And that is their only hope to ever own their own land. It is unrealistic to believe that anyone can begin in agriculture by borrowing the money to buy equipment, livestock, land and for operating costs, even if the money was provided interest-free. Any legislation which is intended for the purchase of agricultural land should contain a minimum net worth requirement, in order to prevent the borrower from facing almost certain failure.

The fifth couple, who started out by purchasing land has the least chance of succeeding in agriculture in my opinion. He will never have the opportunity to farm for a living because 200 acres in our area will not support itself or a family. So for the privilege of owning a piece of land, they will never get a start in agriculture. Their only option is to someday sell the equity in their land so that they can move up to a unit which will support an agricultural operation. (in other words, get in the real estate business.)

I support the idea of a bonding authority for agricultural loans such as the one established in SB 163. I recommend that low interest loans be provided, not for beginning farmers, but for those who have proven their dedication, competency and dependability by getting their own start. These are the ones who are truly deserving of your help for land acquisition.

If the legislature wants to provide help for the very young and inexperienced, the low interest loan should be provided for the purchase of equipment and/or livestock, for the leasing of land, and for operating costs, until the beginner has reached sufficient net worth to make land purchase a realistic goal.

Before passing SB 163, please consider the results, not the intent, of such legislation.

STANDING COMMITTEE REPORT

March 11 19 81

MR. **SPEAKER**

We, your committee on **TAXATION**

having had under consideration **SENATE** Bill No. **41**

A BILL FOR AN ACT ENTITLED: "AN ACT AMENDING SECTION 15-6-209, MCA, TO CLASSIFY AS TAX EXEMPT SENIOR CITIZEN CENTERS THAT ARE COMMUNITY SERVICE ORGANIZATIONS ESTABLISHED PRIOR TO JULY 1, 1981."

Respectfully report as follows: That **SENATE** Bill No. **41**

BE CONCURRED IN

~~DO PASS~~

STANDING COMMITTEE REPORT

April 9, 1951

MR. SPEAKER

We, your committee on TAXATION

having had under consideration SENATE Bill No. 163

A BILL FOR AN ACT ENTITLED: "AN ACT TO HELP BEGINNING FARMERS GET STARTED IN AGRICULTURE; TO CREATE THE MONTANA AGRICULTURAL LOAN AUTHORITY FOR THE PURPOSES OF HELPING BEGINNING FARMERS ACQUIRE LAND; PROVIDING AN INCOME TAX DEDUCTION FOR CERTAIN LAND SALES TO BEGINNING FARMERS; AND PROVIDING FOR LEGISLATIVE REVIEW OF THE ACT."

Respectfully report as follows: That SENATE Bill No. 163 third reading (blue), be amended as follows:

1. Statement of Intent, page 1, line 7.
Following: "and section"
Strike: "9"
Insert: "10"

2. Statement of Intent, page 1, line 13.
Following: "section"
Strike: "9"
Insert: "10"

3. Title, line 10.
Following: "FARMERS;"
Strike: "AND"

4. Title, line 11.
Following: "ACT"
Insert: "; AND PROVIDING AN APPLICABILITY DATE"

YDO:PASS

(Page 1 of 6 pages)

COMMITTEE ON TAXATION AMENDMENTS TO SENATE BILL 163:

5. Page 2, line 14.
Following: "through"
Strike: "29"
Insert: "33"

6. Page 2, line 17.
Following: "through"
Strike: "29"
Insert: "33"

7. Page 2, line 24.
Following: "through"
Strike: "29"
Insert: "33"

8. Page 4, line 16.
Following: "section"
Strike: "10"
Insert: "11"

9. Page 4, line 18.
Following: "through"
Strike: "29"
Insert: "5 and 8 through 33"

10. Page 5.
Following: line 7
Insert: "Section 5. Financing programs of the authority. The authority may:

(1) make loans to lending institutions under terms and conditions adopted by the authority requiring the proceeds to be used by the lending institution for the making of loans for agricultural land and improvements in the state for persons residing in the state;

(2) invest in, purchase or make commitments to purchase, and take assignments from lending institutions of notes, mortgages, and other securities for the acquisition, construction, rehabilitation, or purchase of agricultural land and improvements in this state, under terms and conditions adopted by the authority;

(3) make, undertake commitments to make, and participate in the making of loans to persons residing in the state for agricultural land and improvements when the authority determines that loans are not otherwise available, wholly or in part, from private lenders upon reasonable equivalent terms and conditions."

ReNUMBER: subsequent sections

11. Page 5, line 23.
Following: "economic"
Strike: "diversity"
Insert: "adversity"

(Page 2 of 6 pages)

COMMITTEE ON TAXATION AMENDMENTS TO SENATE BILL 163:

12. Page 6, line 12.
Following: "and"
Strike: "6"
Insert: "7"
13. Page 7.
Following: line 13
Strike: "\$100,000"
Insert: "\$200,000"
14. Page 9, line 6.
Following: "through"
Strike: "29"
Insert: "33"
15. Page 11, line 17.
Following: "through"
Strike: "29"
Insert: "33"
16. Page 13, line 17.
Following: "through"
Strike: "29"
Insert: "33"
17. Page 13, line 19.
Following: "through"
Strike: "29"
Insert: "33"
18. Page 14, line 1.
Following: page 13, line 25
Strike: "29"
Insert: "33"
19. Page 15, line 3.
Following: "through"
Strike: "29"
Insert: "33"
20. Page 15, line 13.
Following: "through"
Strike: "29"
Insert: "33"
21. Page 15, line 20.
Following: "through"
Strike: "29"
Insert: "33"
22. Page 15, line 22.
Following: "through"

COMMITTEE ON TAXATION AMENDMENTS TO SENATE BILL 163:

Strike: "29"

Insert: "33"

23. Page 17, line 3.

Following: line 2

Insert: "Section 27. Beginning farmer guaranty fund. (1) The authority shall create a beginning farmer guaranty fund. The fund shall be held by a trustee or other fiduciary designated by the authority. There shall be deposited into the fund the proceeds of the sale of bonds authorized by [section 30] and such other revenues and assets as the authority shall consider necessary to comply with any contract or agreement entered into by the authority under the provisions of [sections 2 through 33].

(2) The money in the fund shall be used to satisfy any claim resulting from a defaulted loan. The money in the fund may also be used for any other purpose determined by the authority in accordance with guaranty contracts with financial institutions entered into pursuant to the provisions of [sections 2 through 33], including without limitation, the protection of the interest of the authority in the acquisition of a farm or ranch during periods of loan delinquency or upon loan defaults.

Section 28. Loan guaranty program. (1) The authority may guarantee and make commitments to guarantee payment required by a loan for any acquisition of a farm or ranch upon such terms and conditions as the authority may prescribe in accordance with the provisions of [sections 2 through 33]. In administering the guaranty program, the authority may require the payment of a fee or premium, establish application fees, and prescribe application, notification, contract and guaranty forms, rules, regulations and guidelines.

(2) A loan guaranteed by the authority under the provisions of [sections 2 through 33] shall:

(a) be made for the acquisition of a farm or ranch;

(b) be financed initially from the proceeds of notes or bonds issued pursuant to [section 30];

(c) be made to a borrower approved by the authority or lending institution as responsible;

(d) contain complete amortization provisions satisfactory to the authority; and

(e) be in such principal amount, be in such form, and contain such terms and provisions with respect to property insurance, repairs, alterations, payment of taxes and assessments, delinquency charges, and default remedies.

(3) The authority is authorized from time to time to enter into guaranties, insurance contracts, or any other agreement or contracts with respect to the guaranty fund and any guaranteed loan. Any such agreement or contract may contain terms and provisions necessary or desirable in connection with the guaranty program subject to the requirements established, including without limitation terms and provisions relating to loan documentation, review and approval procedures, origination and servicing rights and responsibilities,

COMMITTEE ON TAXATION AMENDMENTS TO SENATE BILL 163:

default obligations, procedures and obligations, and obligations with respect to guaranty contracts made under the provisions of [sections 2 through 33].

(4) Any contract of guaranty made by the authority under the authorization of the provisions of [sections 2 through 33] shall provide that claims payable thereunder shall be paid from any amounts available in the economic development guaranty fund and from any amounts available under the terms of any applicable contract or agreement with the financial institution which originated the guaranteed loan. The obligation of the authority to make payments under any such contract shall be limited solely to such sources, and shall not constitute a debt or liability of the authority or the state. Any guaranty contract and any rule, regulation, or guideline of the authority implementing the guaranty program may contain such other terms, provisions or conditions as the authority considers necessary or appropriate, including without limitation those relating to the payment of guaranty premiums, the giving of notice, claim procedure, the sources of payment for claims, the priority of competing claims for payment, the release or termination of loan security and borrower liability, the timing of payment, the maintenance and disposition of projects and the use of amounts received during periods of loan delinquency or upon default, and any other provision concerning the rights of insured parties or conditions to the payment of guaranty claims. Any premiums for the guaranty of loan payments under the provisions of [sections 2 through 33] may be determined on such basis, be payable by such person, and be payable in such amounts and at such times as the authority shall determine, and the amount of the premium need not be uniform among the various loans guaranteed.

(5) The minimum reserve requirement for the beginning farmer guaranty fund shall be 10% of the aggregate amount of loans insured. No loan may be insured by the authority if such loan together with the aggregate of all other loans then insured exceeds 10 times the amount of funds available in the beginning farmer guaranty fund.

Section 29. Authority to request additional funds. (1) In order to assure the maintenance of the beginning farmer guaranty fund, the chairman of the authority shall on or before September 1 in the year preceding the convening of a regular legislative session deliver to the governor a certificate stating the sum, if any, required to restore the beginning farmer guaranty fund to the minimum reserve requirement. The governor shall include in the executive budget submitted to the legislature the sum required to restore the beginning farmer guaranty fund to the minimum capital reserve requirement. The legislature may appropriate all or any portion of the sum so required from the income from the coal tax constitutional trust fund.

(2) All amounts remitted to the authority under this section constitute advances to the authority and shall be repaid to the state treasury without interest from available operating revenues of the authority in excess of amounts required for the guaranty of loans.

(Page 5 of 6 pages)

COMMITTEE ON TAXATION AMENDMENTS TO SENATE BILL 163:

Section 30. General obligation bonds authorized to fund beginning farmer guaranty fund. (1) The board of examiners, upon the recommendation of the authority created by [section 4], may issue and sell general obligation bonds in an amount not to exceed \$5 million. The bonds shall be issued, sold, and retired in the same manner as prescribed in 17-5-493, for the long-range building program bonds.

(2) The proceeds of the sale of the bonds authorized by subsection (1) shall be deposited in the beginning farmer guaranty fund as provided in [section 27]."

Renumber: subsequent sections

24. Page 17, line 12.

Following: "through"

Strike: "29"

Insert: "33"

25. Page 17, line 19.

Following: "section"

Strike: "10"

Insert: "11"

26. Page 12.

Following: line 3

Insert: "Section 35. Applicability date. The provisions of section 24 apply to taxable years beginning after December 31, 1920."

AND AS AMENDED
BE CONCURRED IN

(Page 6 of 6 pages)