

TWENTIETH DAY

St. Paul, Minnesota, Friday, March 1, 1985

The Senate met at 9:00 a.m. and was called to order by the President.

CALL OF THE SENATE

Mr. Moe, R.D. imposed a call of the Senate. The Sergeant at Arms was instructed to bring in the absent members.

Prayer was offered by the Chaplain, Senator Dean E. Johnson.

The roll was called, and the following Senators answered to their names:

Adkins	Diessner	Knutson	Nelson	Renneke
Anderson	Dieterich	Kroening	Olson	Samuelson
Belanger	Frederick	Kronebusch	Pehler	Schmitz
Benson	Frederickson	Laidig	Peterson, C.C.	Sieloff
Berg	Gustafson	Langseth	Peterson, D.C.	Spear
Bernhagen	Hughes	Lantry	Peterson, D.L.	Storm
Bertram	Isackson	Luther	Peterson, R.W.	Stumpf
Brataas	Johnson, D.E.	McQuaid	Petty	Taylor
Dahl	Johnson, D.J.	Mehrkens	Pogemiller	Vega
Davis	Jude	Merriam	Purfeerst	Waldorf
DeCramer	Kamrath	Moe, D.M.	Ramstad	Wegscheid
Dicklich	Knaak	Moe, R.D.	Reichgott	Willet

The President declared a quorum present.

The reading of the Journal was dispensed with and the Journal, as printed and corrected, was approved.

MEMBERS EXCUSED

Ms. Berglin, Messrs. Chmielewski, Frank, Freeman, Lessard, Novak and Solon were excused from the Session of today.

MOTIONS AND RESOLUTIONS

S.F. No. 54 and the Conference Committee Report thereon were reported to the Senate.

CONFERENCE COMMITTEE REPORT ON S.F. NO. 54

A bill for an act relating to agriculture; providing a mechanism to aid restructuring existing farm loans; providing an interest reimbursement program to qualified banks; appropriating money.

March 1, 1985

The Honorable Jerome M. Hughes
President of the Senate

The Honorable David M. Jennings
Speaker of the House of Representatives

We, the undersigned conferees for S.F. No. 54, report that we have agreed upon the items in dispute and recommend as follows:

That the House recede from its amendment and that S.F. No. 54 be further amended as follows:

Delete everything after the enacting clause and insert:

“Section 1. [CITATION.]

Sections 3 to 10 may be cited as the “Minnesota emergency farm operating loans act.”

Sec. 2. [LEGISLATIVE FINDINGS, PUBLIC PURPOSE, SCOPE OF PROGRAM.]

The legislature finds that many farm families face extreme financial hardship or possible foreclosure in 1985 because of their inability to obtain farm operating loans at affordable rates of interest. In many of these cases excessive interest rates reduce projected cash flow to a level where lending institutions refuse to renew a line of credit or demand the partial or total liquidation of remaining assets.

The legislature further finds that with relatively little public expense, and with the voluntary cooperation and assistance of Minnesota farm lenders, operating loans can be made to farm operators at an interest rate that will allow continuation of viable farm operations during 1985.

The legislature further finds that the use of money in the general fund for the purpose of assisting qualified farm operators is a public purpose and is necessary to protect the health, safety, and general welfare of the people of this state.

Sec. 3. [DEFINITIONS.]

Subdivision 1. [APPLICABILITY.] The definitions in this section apply to sections 3 to 9.

Subd. 2. [CLASSIFIED FARM LOAN.] “Classified farm loan” means a farm loan that the lender determines to have a substantial risk of nonpayment, so that the lender is likely to sustain some loss if the borrower’s paying capacity, net worth, or collateral is not improved. The loan need not already have been classified by a bank examiner.

Subd. 3. [COMMISSIONER.] “Commissioner” means the commissioner of commerce.

Subd. 4. [COMMISSIONER’S INTEREST INDEX.] “Commissioner’s interest index” means an interest rate that is 2.3 percent above the current lending rates of the federal intermediate credit bank to production credit associations as certified each month by the commissioner.

Subd. 5. [FARMER.] “Farmer” means a state resident individual, or a domestic family farm corporation defined in Minnesota Statutes, section 500.24, engaged in the business of farming property in this state.

Subd. 6. [FARMERS HOME ADMINISTRATION.] "Farmers home administration" means the farmers home administration of the United States Department of Agriculture.

Subd. 7. [FARM LOAN.] "Farm loan" means a loan for operating expenses or the purchase of property for a farm business.

Subd. 8. [LENDER.] "Lender" means a bank chartered by the state or federal government and a farm credit system lender.

Sec. 4. [QUALIFICATION OF LENDERS.]

(a) To qualify for an interest payment under sections 4 to 6, a lender must first sign an agreement with the commissioner to follow the guidelines.

(b) A lender shall not foreclose on a farm loan of a farmer that has received a loan under section 6, or has had a loan application submitted to the farmers home administration under section 5 until the lender certifies to the commissioner that the farmer's loans have been submitted to the farmers home administration for debt restructuring and that the loan debt restructuring has been approved or denied, or 90 days have expired, whichever is earlier.

(c) The commissioner shall not make an interest payment to a lender for a loan under this act if the lender has foreclosed the loan.

Sec. 5. [INTEREST PAYMENT PROGRAM ON EXISTING FARM LOANS.]

Subdivision 1. [COMMISSIONER PAYS INTEREST.] The commissioner shall pay the interest attributable to the first 60 days, of a 120-day period, on the first \$25,000 of operating farm loans and the first \$25,000 of ownership farm loans of each borrower submitted by a lender that signs an agreement under section 4 to the farmers home administration for loan guarantees and debt restructuring except as provided in section 7.

Subd. 2. [INTEREST.] The interest to be paid is the amount that becomes attributable to the first 60-day period after the lender signs the agreement with the commissioner under section 4. The amount to be paid is determined by the loan agreement between the lender and the borrower.

Subd. 3. [CLASSIFIED FARM LOAN REVIEW.] During the first 60 days of the 120-day period after the agreement with the commissioner in section 4 is signed, the lender must review all classified farm loans and determine which farm loans the lender will submit to the farmers home administration for loan guarantees and debt restructuring.

Subd. 4. [LENDER-BORROWER AGREEMENT.] For each farm loan that the lender submits to the farmers home administration for loan guarantees and debt restructuring, the lender and the borrower of the farm loan must sign an agreement. The agreement must:

(1) state that the lender has agreed with the commissioner not to foreclose on farm loans submitted as specified in section 4;

(2) state that the commissioner will pay the interest attributable to the eligible portion of the farm loan submitted to the farmers home administration for the first 60 days of the 120-day period if the lender qualifies for state interest payment;

(3) state that the borrower is not liable for interest paid by the commissioner;

(4) provide that if the lender qualifies for state interest payment the lender will assume responsibility for the interest attributable to the eligible portion of the farm loan submitted and the borrower is not liable for the interest except as provided in clause (5); and

(5) provide that if the borrower agrees to have the farm loan submitted and the farmers home administration guarantees the loan, the lender may add the interest attributable to the second 60 days of the period to the principal of the borrower's farm loan.

Subd. 5. [PAYMENT APPLICATION.] The lender must apply to the commissioner for the 60-day state interest payment on a farm loan that is submitted to the farmers home administration. The lender must give the commissioner evidence of the farm loan submitted to the farmers home administration guaranteed loan program and application for the farmers home administration approved lenders program. A lender that complies with this section is qualified to receive payment from the commissioner.

Sec. 6. [INTEREST PAYMENT PROGRAM ON NEW FARM OPERATING LOANS.]

Subdivision 1. [APPLICATION; FARMER CRITERIA.] A farmer may apply to a lender for a farm operating loan on which the state will pay part of the interest. To be eligible for the state payment, the farmer must have a debt to asset ratio greater than 50 percent and must not have a positive cash flow at the commissioner's interest index rate.

Subd. 2. [LOAN CRITERIA.] (a) To be eligible for the state interest payment, the farm operating loan must:

(1) be made to a farmer at an interest rate between seven and ten percent per year;

(2) be due and payable by March 1, 1986, after it is made;

(3) be for operating expenses of the farm business; and

(4) be made to a farmer that shows a positive cash flow at the reduced interest rate, demonstrates a reasonable chance of obtaining debt restructuring necessary to achieve a positive cash flow, or shows the ability to repay the operating loan.

(b) The lender may use additional criteria in determining whether to make a farm operating loan to a farmer.

(c) The lender must encourage the farmer to participate in the vocational adult farm business management program. The lender must agree to offer to pay enrollment fees, less the amount of a locally available reduction in or subsidy to fees ordinarily paid by the enrollee, for loan recipients who wish to enroll and participate in a vocational adult farm business management program or equivalent. A lender is not required to pay farm management program enrollment fees for more than one farmer per loan.

Subd. 3. [LOAN SUBMISSION.] The lender must submit to the commissioner all farm operating loans made by the lender for which the lender requests the state to pay part of the interest. The lender must certify that the

approved farm operating loan has been submitted to the farmers home administration for any loan guarantee programs that are available. The commissioner must review the loan within five days after receipt. The commissioner may not pay interest on loans submitted after December 31, 1985.

Subd. 4. [PAYMENT AMOUNT.] The amount of interest paid by the state must be two-thirds of the amount of interest foregone by the lender as a result of the lender making the loan at an interest rate less than the commissioner's interest index. The interest is payable on the unpaid principal of the first \$75,000 of the loan, except as provided in section 7. The maximum interest payment per farmer may not exceed \$3,750. The commissioner shall make payments beginning January 1, 1986, and pay all interest due by March 1, 1986.

Sec. 7. [MAXIMUM LOAN AMOUNTS.]

Lenders may not receive interest payments on loans under sections 5 and 6 to a single farmer for a loan principal amount greater than \$100,000 and the principal for a loan under section 6 may not exceed \$75,000.

Sec. 8. [FORMS AND GUIDELINES.]

(a) Notwithstanding Minnesota Statutes, chapter 14, the commissioner shall adopt and provide guidelines to administer sections 4 to 6 and the forms to be submitted by a lender under sections 5 and 6. The forms under sections 5 and 6 constitute an application form for interest payment.

(b) The commissioner shall present a report to the senate agriculture and natural resources committee and the house of representatives agriculture committee containing the guidelines, when adopted.

(c) On April 15, 1985, and every third month afterwards until January 15, 1986, the commissioner shall report to the chairpersons of the agriculture and appropriations committees of the house of representatives and the agriculture and natural resources and finance committees of the senate on the implementation and economic impact of this act. In the quarterly report the commissioner shall describe the current economic situation for agricultural lending in the state economy.

(d) By April 15, 1986, the commissioner must report to the governor and the legislature on the overall effectiveness and efficiency of this act.

Sec. 9. [PENALTIES.]

A lender or farmer that willfully or intentionally misrepresents farm operating expenses or other required information, or misuses money obtained under this act, is guilty of fraud and subject to the penalties for using fraud to obtain credit under Minnesota Statutes, section 609.82. An application presented to the commissioner as provided under sections 4 to 6 may be deemed to be correct and accurate without further audit or substantiation.

Sec. 10. [APPROPRIATION.]

\$25,050,000 is appropriated from the general fund to the commissioner of commerce for the following purposes:

- (a) For payment of interest on existing farm loans under section 5,
to be available until June 30, 1986 \$ 9,200,000

- (b) For payment of interest on new farm operating loans under section 6, to be available until June 30, 1986 15,800,000
- (c) For administration of sections 4 to 6, to be available until June 30, 1986 50,000
- (d) If the appropriation for paragraph (b) is insufficient the appropriation for paragraph (a) is available for it.

Sec. 11. [REPEALER.]

Sections 1 to 9 are repealed effective July 1, 1986.

Sec. 12. [EFFECTIVE DATE.]

This act is effective the day following final enactment."

Delete the title and insert:

"A bill for an act relating to agriculture; providing a mechanism to aid restructuring of existing farm loans; providing for payment of interest on loans to farmers; appropriating money."

We request adoption of this report and repassage of the bill.

Senate Conferees: (Signed) Charles R. Davis, LeRoy A. Stumpf

House Conferees: (Signed) Elton R. Redalen, K.J. McDonald, Fred C. Norton

Mr. Berg moved that the recommendations and Conference Committee Report on S.F. No. 54 be rejected and that the bill be re-referred to the Conference Committee as formerly constituted for further consideration.

CALL OF THE SENATE

Mr. Moe, R.D. imposed a call of the Senate for the balance of the proceedings on S.F. No. 54. The Sergeant at Arms was instructed to bring in the absent members.

The question recurred on the motion of Mr. Berg.

The roll was called, and there were yeas 11 and nays 46, as follows:

Those who voted in the affirmative were:

Berg	Knutson	Merriam	Samuelson	Vega
Diessner	Kroening	Ramstad	Sieloff	Waldorf
Knaak				

Those who voted in the negative were:

Adkins	Dicklich	Laidig	Pehler	Spear
Anderson	Frederick	Langseth	Peterson, C.C.	Storm
Belanger	Frederickson	Lantry	Peterson, D.L.	Stumpf
Benson	Gustafson	Luther	Peterson, R.W.	Taylor
Bernhagen	Hughes	McQuaid	Petty	Wegscheid
Bertram	Isackson	Mehrkens	Pogemiller	Willet
Brataas	Johnson, D.E.	Moe, D. M.	Purfeerst	
Dahl	Jude	Moe, R. D.	Reichgott	
Davis	Kamrath	Nelson	Renneke	
DeCramer	Kronebusch	Olson	Schmitz	

The motion did not prevail.

MOTIONS AND RESOLUTIONS - CONTINUED

Mr. Davis moved that the foregoing recommendations and Conference

Committee Report on S.F. No. 54 be now adopted, and that the bill be repassed as amended by the Conference Committee. The motion prevailed. So the recommendations and Conference Committee Report were adopted.

S.F. No. 54 was read the third time, as amended by the Conference Committee, and placed on its repassage.

The question was taken on the repassage of the bill, as amended by the Conference Committee.

The roll was called, and there were yeas 55 and nays 4, as follows:

Those who voted in the affirmative were:

Adkins	Diessner	Kroening	Nelson	Renneke
Anderson	Frederick	Kronebusch	Olson	Samuelson
Belanger	Frederickson	Laidig	Pehler	Schmitz
Benson	Gustafson	Langseth	Peterson, C. C.	Sieloff
Bernhagen	Hughes	Lantry	Peterson, D. C.	Spear
Bertram	Isackson	Luther	Peterson, D. L.	Storm
Brataas	Johnson, D. E.	McQuaid	Peterson, R. W.	Stumpf
Dahl	Johnson, D. J.	Mehrkens	Petty	Taylor
Davis	Jude	Merriam	Pogemiller	Vega
DeCramer	Kamrath	Moe, D. M.	Purfeerst	Wegscheid
Dicklich	Knutson	Moe, R. D.	Reichgott	Willet

Messrs. Dieterich, Knaak, Ramstad and Waldorf voted in the negative.

So the bill, as amended by the Conference Committee, was repassed and its title was agreed to.

Without objection, the Senate reverted to the Order of Business of Reports of Committees and Second Reading of Senate Bills.

REPORTS OF COMMITTEES

Mr. Willet from the Committee on Finance, to which was re-referred

S.F. No. 546: A bill for an act relating to agriculture; appropriating money for the state board of vocational technical education and the agricultural extension service of the University of Minnesota.

Reports the same back with the recommendation that the bill be amended as follows:

Page 1, line 10, delete "\$967,800" and insert "\$1,166,600"

Pages 1 and 2, delete subdivisions 3 and 4

And when so amended the bill do pass.

Mr. Moe, R.D. moved the adoption of the foregoing committee report. The motion prevailed. Amendments adopted. Report adopted.

SECOND READING OF SENATE BILLS

S.F. No. 546 was read the second time.

ADJOURNMENT

Mr. Moe, R.D. moved that the Senate do now adjourn until 2:00 p.m., Monday, March 4, 1985. The motion prevailed.

Patrick E. Flahaven, Secretary of the Senate