

April 11, 2018

Sen. David Senjem, Chair
Senate Capital Investment Committee
3401 Minnesota Senate Building
St. Paul, Minnesota 55155

Rep. Dean Urdahl, Chair
House Capital Investment Committee
473 State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, Minnesota 55155

Dear Chair Senjem and Chair Urdahl:

Minnesota's agricultural economy has been on a decline due to low market prices and high input costs. Farm families across Minnesota are struggling financially and have been facing losses on major commodities like corn and soybeans for the past three years. The Rural Finance Authority (RFA) was established in 1986 during the farm crisis to provide assistance to Minnesota farmers. These programs are always important, but during this time of uncertainty in the agricultural economy, these programs are critical to providing farmers with access to low-cost credit.

Governor Dayton recommended \$20 million in his bonding package to be authorized for the RFA loan programs. At this time, the Governor is urging that the Legislature authorize at least \$35 million to ensure adequate funding for the next year. I also urge the Legislature to act quickly on this important authorization.

The RFA continues to play a vital role in Minnesota's rural economy. Rather than making loans directly to farmers, the RFA partners with more than 400 community banks and members of the Farm Credit System to extend credit. Farmers borrowing funds through the RFA have access to credit with lower interest rates than they would otherwise pay. These programs are available at no cost to the State; the RFA loan programs are user-financed and the bonds are repaid by repayments on the loans.

Last session the Legislature acted quickly to pass an authorization of \$35 million for RFA loan programs. As of March 29, there is \$6,335,210 remaining of that \$35 million bond authorization. At the current rate of utilization, the department anticipates that the authorization will be spent prior to the end of the Legislative session.

Farmer enrollment in RFA loan programs has increased approximately 93 percent in volume compared to the previous fiscal year. The RFA has some critical programs for those facing financial difficulties. The Restructure

loan program has been used as a lifeline for those trying to meet the demands of paying off debt by restructuring outstanding loans. Since 1986, over 3,000 loans have been issued under the program for nearly \$249 million dollars. This has leveraged over \$750 million in financing for rural Minnesota.

The RFA is a user-financed program that operates at no cost to the taxpayer. At this time of economic uncertainty in Minnesota's farming community, RFA loan programs are critical tools that can provide Minnesota farm families access to low-interest credit.

I urge you to act quickly this session to provide this urgently-needed assistance to Minnesota farmers and their families. My office stands ready to work with you at any time to expedite this important work. We look forward to working together to enact this legislation as quickly as possible.

Sincerely,

A handwritten signature in black ink, reading "David J. Frederickson". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

David J. Frederickson
Commissioner

Cc: Majority Leader Paul Gazelka
Senate Minority Leader Tom Bakk
Speaker Kurt Daudt
House Minority Leader Melissa Hortman
Senator Sandra Pappas
Senator Torrey Westrom
Senator Bill Weber
Senator Kari Dziedzic
Senator Foug Hawj
Representative Rod Hamilton
Representative Paul Anderson
Representative Alice Hausman
Representative Jeanne Poppe
Representative David Bly