



February 24, 2023

The Honorable Ogden Driskill
President of the Wyoming Senate
Wyoming Senate
200 West 24th Street, Capitol Building
Cheyenne, WY 82002

Re: 2023 Senate Enrolled Act No. 0037/SF0071- State Loan and Bond Programs

Dear President Driskill,

As Treasurer, I had the opportunity to review and comment, more than once, on state loan and bond capacities. I was instrumental in redesigning the Industrial Development Bond Program to extinguish it in the Permanent Mineral Trust Fund (PMTF) as well as to reform the Local Government and School Bond guarantees, which were backed by the PMTF. Before that, in the mid-1980s, former Senate President John Schiffer and I partnered on a ranch – my first stepping away from my own family's ranch. It was my first mortgage and we bought the ranch as the Production Credit Association failed. We had occasion to use the State's farm loan program when interest rates rose to historically high levels. I know personally what a lifesaver that program was.

I am acutely aware of the facilities and of their benefit. Moreover, I know that not each of these programs was created equal or for the same purposes. Some, like local road construction loans, were, in my opinion, misguided and others like the farm loans were brilliantly conceived. None of these programs should burden the returns of our highest earning potential funds, nor should they serve as a source of convenient, politically directed cheap money. Experience garnered from the bankruptcy of Hawkins and Powers prompted me to deny an Industrial Development Bond for a hotel in Casper for which I paid a dear political price.

In my six years as Treasurer, I carefully reviewed numerous Management Audit reports on the very facilities this bill addresses. In many of them, there was a misconception that the farm and ranch loan program needed to be changed because it was not being utilized enough. It was suggested that farm and ranch loans should scrap the fixed interest rates embedded in the statute to come to something more competitive. In our reviews, we benefited from the historical knowledge of former Office of State Lands Director Jim Magagna, now Executive Director of the Wyoming Stock Growers Association. The farm and ranch loan program was always

intended as a safety valve and to function as it did for the 48 Ranch Partnership John and I had established. Many others who were struggling under historically high interest rates were able to benefit from the program during the 1980s and later. Interest payments back then broke the backs of many of our ranchers and neighbors. They were catastrophic to much of our industry. Having a State facility to fall back on in such a circumstance is a service that our state can and should provide to help ranches in times of very high interest rates. The State is not and should not be a bank. It should not compete with private banks and lending institutions. We are a capitalist state in a capitalist nation that can afford to be compassionate in extreme circumstances. We are most emphatically not socialist nor should we ever design state programs to be so.

Agriculture is a key industry in our state and I appreciate how this Enrolled Act tries to support it while also reducing the amount of funds that are backstopped by the state's permanent funds. Senate Enrolled Act No. 37 reduces the amount of funding available to the State Loan and Investment Board for farm loans from \$275,000,000 to \$50,000,000. I think this reduction is appropriate considering the use of these programs in recent history. Lending sector interest rates have been very low for a number of years, although they have been rising lately as inflation has risen. We can certainly hope these trends do not mirror those of the 1980s and it is comforting to recognize the balance of funds available should an eventual need arise, could be adjusted upwards in the future if the Legislature felt it appropriate to do so. Unburdening the PMTF of low-performing assets would benefit returns to the State and help our investment professionals achieve their incentive compensation bonus more easily.

Generally, I support the notions of this bill; however, the changes this bill would make to the interest rates for farm loans would put the State in direct competition with private financial institutions. This is not the proper role of the State. I realize that the current interest rate for farm loans as stated in statute is 4 percent to 10 percent and the lower end of this range would currently compete with the private sector. Nevertheless, under current law, the State Loan and Investment Board (SLIB) set the rate for farm loans by rule at 8 percent or 9 percent depending on the ratio of the loan to the appraised value. By doing this, the SLIB established an interest rate, which would provide farmers a viable option when interest rates are excessively high, but avoid competition with the private sector when rates are reasonable. The new rate created by this bill does not give the SLIB the flexibility to create a rate which would not compete with other lenders when rates are reasonable yet be available when interest rates are excessive. This program was never intended to compete with banks or mortgage companies during ordinary times and so I cannot support the changes in this section of the bill.

Let me reiterate, I favor much of what this bill seeks to accomplish, however, the changes to the farm loan program are severe enough and have strayed so far away from the original intent of the program, that I am compelled to veto Senate Enrolled Act No. 37/Senate File No. 0071. I urge lawmakers to reconsider changes to the farm loan program that are in keeping with its history and purpose, are not socialist in inspiration, and make sense for farmers when circumstances warrant an extraordinary facility. I look forward to the Legislature bringing forward a revised bill next year for my signature.

Thank you again for your diligence and service to our wonderful state.

Sincerely,



Mark Gordon
Governor

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cc: The Honorable Chuck Gray, Secretary of State
The Honorable Albert Sommers, Speaker of the House
Chief Clerk, Wyoming Senate
Chief Clerk, Wyoming House of Representatives