

**INFORMATION
AUGUST 2, 2002**

HIGHER EDUCATIONAL AIDS BOARD

BOARD REPORT #03-01

REPORT ON PROPOSED FARMER LOAN ASSISTANCE PROGRAM

The 2001-03 Budget Bill that passed in August of 2001 required the Higher Educational Aids Board to submit to the Governor and to the Legislature a report summarizing a proposed program to forgive educational loans for Wisconsin farmers.

Attached is a copy of the report that was submitted on March 1, 2002. The report used existing HEAB data and information gathered from various sources.



**State of Wisconsin
Higher Educational Aids Board**

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Scott McCallum
Governor

Jane M. Hojan-Clark
Executive Secretary

March 1, 2002

To: Governor Scott McCallum
Senate Chief Clerk Donald Schneider
Assembly Chief Clerk John Scocos

Re: Report on Proposed Farmer Loan Assistance Program

Attached is a report summarizing a proposed program to forgive educational loans for Wisconsin farmers. Submission of this report is in compliance with Section 9124, Nonstatutory Provisions of 2001 Wisconsin Act 16.

If you have any questions about this report, please feel free to contact me by phone at 264-6181 or by e-mail at jane.hojan-clark@heab.state.wi.us.

Jane Hojan-Clark, Executive Secretary
Higher Educational Aids Board

Cc: Bill Cosh, Office of the Governor
Tom O'Day, Office of the Governor
Bob Hanle, Department of Administration
R.J. Binau, Department of Administration
John Stott, Legislative Fiscal Bureau



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REPORT ON PROGRAM TO FORGIVE LOANS FOR WISCONSIN FARMERS

The 2001-03 Budget Bill, passed in August of 2001, directs the Higher Educational Aids Board (HEAB) to develop a report that outlines a loan forgiveness program for students who graduate from the University of Wisconsin System or the Wisconsin Technical College System and farm for five consecutive years. Per section 13.172 (2) of state statutes, this report is being submitted to the Governor and to the chief clerks of each house.

Background

Wisconsin is facing a shortage of farmers. According to the Wisconsin Department of Agriculture, Trade and Consumer Protection, there were 23,054 dairy farmers in Wisconsin in January of 1998. In January of 2002, there were 17,711 dairy farmers. This is a 23.2 percent reduction in five years. While HEAB was not able to identify hard numbers regarding reduction in other areas of farming, the general consensus is that the overall number of farmers in Wisconsin is decreasing every year. The numbers indicate a shortage situation expanding by at least 1,000 to 1,500 farmers per year.

The University of Wisconsin System and the Wisconsin Technical College System each have programs in agriculture related disciplines. In 1990-91, the UW System had 1,192 students enrolled in agriculture related programs at all levels (upper division undergraduates, masters and doctoral). In 2000-01, there were 1,132 students enrolled in these programs. In 1990-91, the UW System had 443 students graduate from agriculture related programs. In 2000-01, this number was 447. The Wisconsin Technical College System had over 2,700 students enrolled in farm related programs in 2000-01. However, the budget provision gave no indication that participation in the proposed forgivable loan program must or should be limited to graduates from agriculture related programs.

Based on data collected by HEAB's Wisconsin Student Support Information System Survey, the average student loan debt, for a four-year program, accumulated between 1996-97 and 1999-00 was \$12,251. This figure includes both need and non-need based loans. This figure includes **only** student loans. It does not include many other types of debt that are incurred during a student's academic career. Other sources of debt can include credit card use and private loans from lending institutions.

Proposed Farmer Loan Assistance (FLA) Program

HEAB would repay, on behalf of a participating farmer, up to \$15,000 in educational loans obtained by the farmer from a public or private lending institution for education at a University of Wisconsin or Wisconsin Technical College System institution. Only educational loans taken out while the farmer was studying at a UW or Wisconsin Technical College would be considered for possible repayment.

HEAB would enter into a written agreement with the farmer. In the agreement, the farmer would agree to farm at least 40 hours per week for a period of five years in Wisconsin. Verification of employment as a farmer would be based on a review of the farmer's Wisconsin tax returns for the previous year. A farmer who failed to carry out his or her obligations under the program would not be eligible for loan repayment. At any one time, based on proposed staffing and the proposed funding, this program could have up to 1,500 farmers actively participating in the program by written agreement in order to replace the current annual loss of active farmers.

Principal due on the loans, exclusive of any penalties, would be repaid by HEAB at the following rate:

- a) up to 20% of the principal of the loan(s) or \$3,000, whichever is less, during the first year of participation in the program;
- b) up to 20% of the principal of the loan(s) or \$3,000, whichever is less, during the second year of participation in the program;
- c) up to 20% of the principal of the loan(s) or \$3,000, whichever is less, during the third year of participation in the program;
- d) up to 20% of the principal of the loan(s) or \$3,000, whichever is less, during the fourth year of participation in the program; and
- e) up to 20% of the principal of the loan(s) or \$3,000, whichever is less, during the fifth year of participation in the program.

Funding the program at \$4,500,000 per year would allow the payments of student loans for up to 1,500 farmers (\$3,000 maximum per year per participant). The obligation of HEAB to make payments under any agreement entered into with a farmer, would be subject to the availability of funds under the appropriation. An agreement signed under this program does not create a right of action against the State of Wisconsin on the part of the farmer or lending institution for failure to make payments specified in the agreement.

If the cost of repaying loans of all eligible applicants, when added to the cost of loan repayments scheduled under existing agreements, exceeds the total amount in the appropriations HEAB would establish priorities among the eligible applicants based upon the following considerations:

- a) the likelihood (based on personal history and information provided on the application) that a farmer will remain in active farming after the loan repayment period is completed.
- b) the degree to which the farmer is farming in an area of specialization that is experiencing a critical shortage (i.e. dairy). Information on critical shortage areas would be obtained from the Wisconsin Department of Agriculture, Trade and Consumer Protection.
- c) the geographic distribution of the farmers who have entered into loan repayment agreements under the FLA Program, based on recommendations from the Wisconsin Department of Agriculture, Trade and Consumer Protection.
- d) the remaining balance on the applicant's educational indebtedness in relationship to the applicant's annual income level and/or financial need.
- e) other considerations that HEAB may specify (i.e. the date of the receipt of the application).

Applications for the program would have to be completed and submitted prior to the beginning of the fiscal year for which the farmer would want repayment. Applications may contain the following items:

- a) evidence pertaining to dates of attendance and graduation from either a UW System or Wisconsin Technical College System institution;
- b) evidence of educational loan indebtedness and outstanding educational loan balance;
- c) the location of the applicant's place of farming;
- d) previous year's Wisconsin tax return with the occupation indicated as farming; and
- e) any other information HEAB may require to determine eligibility.

There would be one payment per year after proof has been submitted and accepted that the farmer fulfilled the terms of the agreement. Payment would be made directly to the public or private lending institution.

Support

HEAB would require one FTE to administer the program. This person would be classified as a Grant Specialist Entry. Salary, fringes and office supplies would total \$40,666. In addition, time would be needed to write the computer programming necessary to establish a loan repayment program. The estimated time for writing the computer programming would be 40 hours.