



Date: January 21, 2020

To: Senate Committee on Financial Institutions and Insurance

From: David Clawson, Owner
Clawson Ranch Partnership

Re: Support for Senate Bill 259
Preserving Local Access to Credit for Kansans

Dear Chairman Olson and Members of the Committee:

My name is David Clawson and I am appearing on behalf of Clawson Ranch Partnership. Thank you for the opportunity to testify today in support of SB 259.

My brother Dan and I have farm/ranch that raises irrigated and dryland corn, wheat and milo, as well as having a cow-calf herd. We are the 4th generation in southwest Kansas and are bringing on the 5th generation. Our family is also partners in High Plains Ponderosa Dairy. In addition, I am a stockholder and I sit on the board of directors for Plains State Bank, Plains, Kansas. The bank was started by my great grandfather and his brother. This is a community bank that serves everyone from a high school student needing their first car to new teacher needing a bridge loan to help them pay their first month's rent to a farmer needing a land or operating loan. Our employees are invested and very active in the communities they live in.

From every perspective in all of my roles, I share the belief that the passage of SB ??? is critical to the accomplishment of these objectives:

1. Revitalize rural communities.
2. Benefit all borrowers; and
3. Sustain local access to credit.

I am not only a shareholder of Plains State Bank, but I am also a customer. I enjoy a great relationship with my bank, and I also do business with Farm Credit. Why do I do business with both entities? I want to do business with my local bank but Kansas banks' hands are tied because of the inequity in tax treatment. They simply cannot offer the same interest rate as Farm Credit. Why would the state's tax policy encourage people like me to do business with an out-of-state institution?

The state needs to do everything it can to maintain and even increase access to local credit because we need to maintain competition among lenders operating here. There is also an opportunity for local community banks to survive and thrive if they are given an even playing field. The local bank is a big part of our small communities. People do gravitate to lower interest rates. As a bank director, I can guarantee you that bank directors all across the state will demand that the bank return the savings this bill will create to the customers it serves because that is what the customer will demand. If they do not return these savings, they will not get the loan because it isn't competitive. This bill will help community banks offer lower rates which will incent more folks to do business locally.

Thank you for your time in considering this very important issue for Kansas, and when you take action on SB 259, I urge you to act favorably on its passage.

Additional Talking points:

Clawson Ranch Partnership borrows from Western Oklahoma Farm Credit. No one can compete with their land loan rates because of their tax free status. Since they have our land note, they require us to cross collateralize it with our operating note, so we are in essence “locked in” to them for our other borrowing.

High Plains Ponderosa Dairy is in the same situation, borrowing from GreenStone Farm Credit out of Michigan. They require cross collateralization as well. We use them because our partners are from the Green Bay area and they were very competitive.

We have had Kansas banks try to get our business in both entities, but they cannot compete with these rates offered by the Farm Credit system because of the inequity of tax treatment on land loans.