

ASSOCIATE SUPERINTENDENT APPROVAL: _____

STATE BOARD MEETING DATE: January 28, 2013

SUBJECT: Arizona Youth Farm Loan Fund

SUBMITTED BY: Dennis Fiscus/Dan Brown

MANAGEMENT TEAM REVIEW: _____

BACKGROUND INFORMATION:

The Arizona Rural Corporation was formed in 1934 to administer federal funds provided for emergency relief activities in rural areas during the great depression of the 1930's. Subsequent to the "Rural Rehabilitation Corporation Trust Act" (Public Law 499; 81st Congress; May 3, 1950), the Corporation was dissolved and the residue of the assets was returned to the Federal Government under a trust agreement between the state of Arizona and the U.S. Government

Following the passing of Arizona House Bill 111, March 23, 1960, the assets (approximately \$140,000) were transferred to the State Board of Vocational Education (State Board of Education functions in this role). The trust arrangement specified the following use of funds (ARS 15-1063):

Monies in the Arizona Youth Farm Loan Fund May be used only for such of the rural rehabilitation purposes as are permissible under the Arizona Rural Rehabilitation Corporation's charter as may from time to time be agreed upon by the Board of Vocational Education and the Secretary of Agriculture of the United States or his delegate, including, but not limited to, furnishing financial assistance to deserving young men under 25 years of age who are students or former students of agricultural education or young farmers in organized vocational agriculture classes toward becoming satisfactorily established in farming through guaranteed loans, if they cannot obtain needed financing elsewhere on reasonable rates and terms.

The funds were being used to guarantee loans made to current or former students (age 25 maximum) of agricultural education to promote establishment in farming, primarily through the purchase of equipment and other production-related costs through the 1970's. The State Treasurer holds the funds and administers interest investment procedures.

In 1979 the 34th Arizona Legislature passed Senate Bill 1064 which revised ARS 15-1063 and provided expanded usage of the fund within the perimeter of the Corporation's charter as it appeared in 1960, and allowed long-term investments, not to exceed five years, for increased interest earning.

Subsequent to this enabling legislation, the State Board of Vocational Education (State Board of Education) and the U.S. Secretary of Agriculture (Farmers Home Administration) approved the use of funds (not to exceed the annual interest earned on the original principal) as incentive/assistance money for local FFA chapters to engage in community improvement projects through the Building Our American Communities (BOAC) Program and other projects.

The BOAC program was rolled into and made a part of the National Chapter Award Program in 1996. In 1999 with agreement of the Arizona agriculture teachers and approval of the USDA Program Director, Mike Hill, the funds are now primarily utilized to fund the Arizona FFA/Agriculture Education

Executive Director position, State FFA Leadership camp, the Arizona Association FFA rural visitation program for State Officers and the Arizona Rural Rehabilitation Corporation (a 501c3 non-profit) for use by the Arizona FFA and agricultural education.

BOARD ACTION REQUESTED: INFORMATION ACTION/DESCRIBED BELOW

ATTACHMENTS: YES NO

CONTRACT ABSTRACT

Proposed contract between the State Board for Vocational and Technological Education per A.R.S. § 15-781.01 and the following party (ies)

Name of Contracting Parties:

Arizona Agricultural Education/FFA Foundation	\$20,000
Arizona FFA Association/Leadership Camp	\$25,000
Arizona Rural Rehabilitation Corporation	\$50,000
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Total	\$95,000

Purpose:

Funding is provided to qualifying agencies for rural and agricultural leadership activities, scholarships, training, and support to the agricultural or rural FFA Chapters in Arizona.

Contract Amount:

Total not to exceed \$95,000.00

Source of Funds:

Authorizing Legislation:

“Arizona Youth Farm Loan Fund” is the fund name within the Arizona Department of Education as established by the Arizona Legislature and USDA in 1960. The original funds came from the Arizona Rural Rehabilitation Corporation as established under an act of Congress. The funds are now governed by a “User Agreement” established in 1974 between Arizona and the USDA. The funds are available to Arizona FFA, Arizona Agricultural Education/FFA Foundation and related organizations to provide opportunities for agricultural youth. The original principal was for \$140,000. Only the interest earned above that amount is currently distributed for use. The current balance as of September 30, 2012 in the account was \$352,993.21.

Responsible Unit at Department of Education:

Division Director: Dan Brown, Deputy Associate Superintendent CTE/SII
Program Contact: Dennis Fiscus, CTE Director of Operations

Dates of Contract:

The agreement shall take effect when approved by the Board, and shall terminate on January 28, 2013

Explanation of Contract: Previous Contract History

The Arizona Rural Corporation was formed in 1934 to administer federal funds provided for emergency relief activities in rural areas during the great depression of the 1930's. Subsequent to the "Rural Rehabilitation Corporation Trust Act" (Public Law 499: 81st Congress; May 3, 1950), the Corporation was dissolved and the residue of the assets was returned to the Federal Government under a trust agreement between the State of Arizona and the U.S. Government. In 1960, funds from the Farmers Home Administration were, through legislation, transferred in trust to the State Board of Education. The monies were titled "Arizona Youth Farm Loan Fund" and were to be held and administered through the State Treasurer's office. The purpose of these funds as described through the "User Agreement" includes grants to carry out agriculturally oriented projects sponsored and supervised by such organizations as the FFA, that benefit agricultural/rural youth.

Number Affected (Students, Teachers, and Public, as appropriate)

78 FFA Chapters, 105 teachers/advisors, 9,500 students

Method of Determining Contract Amounts

Awards are determined through a standard pre-determined process. The agriculture teachers association has agreed that this is the best utilization of these funds for the maximum benefit to the agriculture and rural community. The agreement calls for distribution to entities that support the Arizona FFA. Those include Arizona FFA, Arizona FFA Alumni Association, and the Arizona Rural Rehabilitation Corporations.

Evaluation Plan

After approval and funding of the projects, the awarded entities must file completion reports by February 28, 2013.

Board Action Requested

It is requested that the State Board of Vocational Education approve the disbursement of \$95,000 as described above.