FCS MONDAY MORNING

Legislative Update

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April 27, 2009

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"ROLL OUT A BARREL…" OF NEW TAXES THAT IS!
House & Senate Approve Tax Bills by Slimmest of Margins
Governor Vows Veto

Regardless of what some folks say, even Democrats don't like raising taxes. That fact was dramatically evidenced last week as the full Senate (4/24) and then the House (4/25) debated and approved their versions of the 2009 Tax bill. Both bills passed by the barest margin required for approval - 35-31 in the Senate and 68-65 in the House. That means that a lot of Democrats took a hike and, they are not likely to be back should it come time to try to override a Governor's veto.

With the state facing a $4.6 billion deficit, lawmakers are grappling with the explosive political dilemma of cutting state budgets and services, thus abandoning and angering important constituencies or raising taxes and feeding the angst of a public that is struggling under the most severe economic downturn since World War II.

The House and Senate have yet to find an approach that they can agree on. The Senate's tactic is to "share the pain." The DFL majority would reduce spending across the board by about 7 percent and raise $2.2 billion in new income taxes from all earnings sectors.

The House is trying to "target the pain" by making smaller budget cuts, adding new taxes aimed at the "wealthy" and hiking the duty on liquor and smokes.

The Governor's alternative is to make deeper budget cuts and borrow a billion bucks that would be paid back using money from the state's 1998 settlement with the tobacco companies.

None of it is pretty and, we all know it. The question is "how to get to 'yes'," even if it is grudgingly. The answer is not obvious and, it will take a few more weeks of rhetoric and posturing… maybe more.

Meanwhile, last week's votes on the tax bills just gave the Governor the upper hand. How he uses that advantage will determine the length of the upcoming Special Session(s).

AG BUDGET BILLS HEAD TO CONFERENCE
Differences Over Funding for Pesticide Regulation,
Department Reductions Will Be Focus of Discussions

Members of the conference committee on Agriculture & Veterans Affairs appropriations (HF 1122) were named late last week. The Senate will be represented by Chairman Jim Vickerman (DFL-Tracy) as well as Senators Dille (R-Dassel), Skogen (DFL-Hewitt), Erickson-Ropes (DFL-Winona) and Fobbe (DFL-Zimmerman). House members will include Chairman Al Juhnke (DFL-Willmar) and Representatives Otremba (DFL-Long Prairie), Eken (DFL-Twin Valley), Faust (DFL-Mora) and Shimanski (R-Lester Prairie).

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Overall, the Governor proposed a 2% reduction in the Ag budget resulting in annual spending of approximately $78 million. The Senate would reduce ag spending by about 7 percent to $75 million and, the House would go further by reducing agriculture-related spending to about $73 million.

During debate on the House floor, roughly $1 million was shifted from ag-related spending to assistance for veterans. Many Republican members complained that it was unfair to pit agriculture against vets as happened by combining these two budgets under one committee. Chair Juhnke could only agree.

The bills approved in each body differ mainly in the area of fertilizer and pesticide fees and ethanol payments. The House would raise the fees pesticides and fertilizers used in Minnesota to pay for increased regulation and clean-up of these ag chemicals. The Senate refused to go along with the idea. Their reluctance stems from the Governor's endorsement of the approach which Senators claim is tantamount to a tax increase in disguise.

In another sensitive area, the House approved a reduction in ethanol producer payments of $6 million over the next biennium. The Senate would eliminate the payment for a single year producing a $2.8 million reduction in the Ag Department budget.

The conferees will have their first meeting on Wednesday morning.

FARMER-LENDER MEDIATION WILL BE REVIEWED
Extension Will Gather Data for Future Debate

Among Farm Credit Services legislative initiatives this year was a proposed increase in the level of debt required to trigger farmer-lender mediation. Currently, any borrower who has a debt of $5,000 or more that is secured by farmland is entitled to mediation before the lender can proceed with collection. The trigger has not changed since the program was enacted 26 years ago. FCS proposed raising the level to $50,000 to reflect changes in the economy and farm borrowing patterns.

Neither the House nor Senate accepted the FCS proposal. However, both expressed a willingness to revisit the question once they have better information with which to make a decision. Therefore, FCS and lender lobbyists worked with the Extension Service and House Chair Al Juhnke to make changes in the mediation law that will help gather this data. Language contained in the House bill is likely to be accepted by the Senate and included in the final measure that goes to the Governor.

However, a few FCS supporters were still hoping to see the change enacted this year. When the House debated the omnibus ag appropriations bill, last week, Rep. Steve Drazkowski (R-Wabasha) offered an amendment to raise the debt trigger to $50,000. The amendment failed 32-99 but, everyone involved in the issue has agreed to give the question further consideration once more data is available.