

FCS MONDAY MORNING

Legislative Update

February 2, 2009

PAWLENTY UNVEILS BIENNIAL BUDGET Program Cuts, Payment Shift, Novel Borrowing Proposed But, No New Taxes... Yet

On Tuesday (1/27), Governor Tim Pawlenty unveiled his proposed 2010–11 biennial budget that, in his words, “sets priorities for a better future.” The Governor’s plan includes a number of program reductions and payment shifts, as well as a novel new approach to borrowing that he hopes will spur job growth and improve K-12 education.

The Governor’s budget would spend \$33.61 billion, a 2.2 percent reduction from current budget of \$34.36 billion, and erases a projected budget shortfall of \$4.8 billion. Spending reductions and other savings total \$2.5 billion while the use of federal stimulus funding and other resources provides \$3.2 billion.

However, Pawlenty is also proposing some new spending initiatives, tax cuts for businesses over the next six years and putting \$250 million in the budget reserve for a total of \$860 million in new expenditures. Agriculture related budget highlights include:

- More than \$4 million in new funding for the Minnesota Department of Agriculture (MDA) Pesticide and Fertilizer Management Division. The division oversees sales, use and disposal of many agricultural inputs including fertilizer and pesticides. The recommendation includes increasing the base pesticide registration fee from 4/10ths of 1 percent to 6/10ths of 1 percent and increasing the minimum product registration fee for non-agricultural pesticides from \$250 to \$350. In addition, the proposal would create a dedicated Non-Agricultural Waste Pesticide Account funded by a product registration surcharge imposed on all non-agricultural pesticides. This surcharge would be an additional 6/10ths of 1 percent.
- Nearly \$9 million in new funding under the Clean Water Legacy program is provided for pesticide monitoring and assessment, drinking water protection, research and loans to help address agricultural non-point source priorities in local water plans.
- Creation of Ag21 – a 21st Century Agricultural Reinvestment Program to provide grants and loans to fund emerging needs in agriculture, such as advancing the states livestock and bio-energy industries. This initiative essentially combines the Livestock Investment Program and the NextGen renewable energy grant program.
- A reduction in general fund appropriations of \$1.6 million. Despite the size of the state’s budget deficit the Governor’s proposal would protect core MDA functions but reduce or eliminate some activities including the aquaculture program, plant pest survey work and other bio-control efforts.
- The Governor’s proposal also recommends a \$118 million package investments in clean water and parks and trails using money from the recently enacted Constitutional Amendment which will dedicate sale taxes proceeds for these and other purposes.

Details of the Governor’s proposal for agriculture can be found at [Governor’s Biennial Ag Budget](#)

***“JUST CAN’T WAIT TO GET ON THE ROAD AGAIN”
Legislative Committees Will Seek Public Input Through
Series of Local Budget Hearings***

Now that the Governor has dealt the first hand in the biennial budget game, legislators will have to respond by putting their own cards on table. But, before they do, they will be looking for some “public input” and a bit of political cover if they finally decide to do some “revenue enhancing.”

Early plans are to take the Governor’s budget “on the road” through a number of out-state legislative hearings where lawmakers hope to hear from “regular folks” about the impact of reductions in health care and other programs. After that, the DFL will present its own budget proposal and the wheeling and dealing will begin.

Lawmakers are expected to schedule hearings around the state in mid-February. Then, wait for the next budget forecast in early March before getting down to hammering together a series of spending bills in mid-April.

***CHANGES TO “GREEN ACRES” PROGRAM ARE IN THE WORKS
House Ag Committee Passes Out its Initial Recommendations
Senate Ag is Expected to Act This Week***

On Tuesday (1/27), the House Ag Finance Committee took action to mitigate the impact of changes made to the state’s “Green Acres” ag land preservation program, last year.

After hearing no less than nine bills that either repealed or modified last year’s action, the Committee passed a bill - HF 10, authored by Rep. Al Doty (DFL-Royalton) – that would reinstate the original provisions of the program. The bill was sent on to the House Tax Committee for later consideration.

The Committee also passed HF 217, authored by Rep. Tim Faust, that makes future modifications to the program but “grandfathers” all current participants. This bill was sent to the House Environment Policy Committee for further debate.

As it was originally designed, Green Acres allowed farmers to enroll land as an alternative to selling it to a developer. The trade off is that the land is taxed at a lower agricultural rate as opposed to fair market value. However, a Legislative Auditor’s report found that while the program was effective at reducing taxes of farmland subject to the pressures of urbanization, it was not being applied consistently from county to county and was having little long-term impact on preserving farmland.

Last session, the law was changed to reduce program eligibility and eliminate non-productive land from being enrolled in the program. Declaring that only productive farmland qualified for the tax break, lawmakers stripped wetlands, woods and other areas from the program. The changes also penalized some of those using the program when their land was taken out of Green Acres by making them responsible for paying taxes on the exempted land for up to seven years rather than the previous three years. After learning that they might face large tax increases, some farmers began doing things such as bulldozing trees to make sure they could remain in the program.

The Senate Agriculture and Veterans Committee began hearing the “Green Acres” debate on Thursday (1/29) when it took testimony from a dozen members of the public. The committee is expected to take action on SF386, authored by Sen. Rod Skoe (DFL-Clearbrook), on Tuesday (2/3).

FCS LEGISLATIVE RECEPTION AND DINNER -TUESDAY, FEBRUARY 17TH

Calling all Minnesota state lawmakers who care about agriculture and our rural communities... be sure to mark your calendars and join us for our annual meal and conversation about improving rural Minnesota.

The date: Tuesday, February 17th. The time: 5:30 pm. The place: University Club, 340 Cedar St., St. Paul. Your hosts: Farm Credit Services Associations members and directors from across Minnesota. RSVP to Gary Kintzi at 651-556-9211.