

FCS MONDAY MORNING

Legislative Update

January 26, 2009

CHANGES TO “GREEN ACRES” PROGRAM ARE CREATING HAVOC Frustrated Assessors and Angry Landowners Ask Lawmakers to Repeal Changes Made Last Year

On Wednesday (1/21), the House Ag Finance Committee took nearly three hours of testimony from frustrated county assessors and angry landowners regarding the impacts of changes made by lawmakers last year to the state’s 40-year old “Green Acres” ag land preservation program.

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.

At the conclusion of the hearing, Chair Al Juhnke (DFL-Willmar) directed staff to begin drafting a bill to repeal some of the changes made last year. He intends to have the committee begin hearing a number of bills that have already been introduced, this week.

However, not wanting to miss the chance to make some political hay, Republicans tried to get a jump on the DFL majority by moving to repeal last year’s changes on the floor of the House. On Thursday (1/22), Rep. Rob Eastland (R-Isanti) moved to pull a bill out of committee and vote on the measure immediately. The Democrats would have none of it and defeated Eastland’s motion by 74 – 51.

The Senate Agriculture and Veterans Committee will begin hearing the “Green Acres” debate on Thursday (1/29).

FCS SETS 2009 LEGISLATIVE PRIORITIES Promoting a More Competitive Agriculture is Cornerstone in Call for Legislative Action

The Farm Credit Services Associations serving Minnesota are dedicated to providing reliable, cost-effective credit and financial services to all Minnesota agricultural producers and our rural communities. For nearly two decades, the FCS Associations have been present at the Minnesota State Capitol helping to shape agricultural and rural development policy. Farm Credit seeks legislative action that positions agriculture as a business, encourages improvements in agricultural production, enhances the success of farmers by allowing greater access to credit, and strengthens the well being of rural Minnesota.

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Each year, a committee of FCS member-borrowers lays out a list of Legislative Priorities for the coming Session. In 2009, Farm Credit will press for increased funding for the Livestock Investment Program and changes that conform Minnesota law to the current federal tax provisions allowing for accelerated depreciation on major capital purchases. FCS will also press for restoring "Green Acres" protections, updating the Mandatory Farmer-Lender Mediation program, and increasing the production of renewable fuels and alternative energy options.

The 2009 Legislative Positions of the Farm Credit Associations serving Minnesota are attached to this week's newsletter.

THE "BIG FIX" Part I Governor to Release His Biennial Budget Proposal on Tuesday

Governor Tim Pawlenty will roll out his proposal for fixing a \$4.8 billion hole in the state's biennial budget on Tuesday (1/27). It is a document that everyone at the Capital has been waiting to see because the Gov claims he has found a way to deal with the nearly 13 percent downturn in state revenues without increasing taxes.

Pawlenty previewed his proposal to local reporters at the Capitol on Thursday (1/22), telling them that Minnesotans will see a state budget that is "aggressive" and "takes on some risks" in repositioning the state in terms of job creation.

The Governor pointed to his recent State of the State Address noting that he would even call for cutting the business tax rate in half over the next six years – from 9.8 percent to 4.8 percent – business tax credits, sales tax and capital gains exemptions, and other tax breaks.

Pawlenty does not expect the budget picture to brighten in the near-term. In fact, he expects the state February budget forecast to show that the state will be worse off "by a significant margin."

The nation is "hemorrhaging jobs," Pawlenty said, and the negative numbers could remain for a long time.

Despite earlier criticism of federal lawmakers for developing a nearly trillion dollar economic stimulus package, Pawlenty is counting on "significant" budget help coming from Washington. Recent estimates range to nearly \$4 billion in federal assistance for a host of programs and construction projects. But, while federal job creation programs can have a positive impact on the state budget long term, Pawlenty remains prone to downplay their short-term impact.

The "BIG FIX" Part II Lawmakers Will be Asking What You Think

Once state lawmakers have a peep at the Governor's proposal, they plan to "take it on the road" to get feed back from constituent back home. The idea is to let the Governor take the heat for any cuts that have to be made and build support for "revenue enhancements" that might be proposed.

The serious work of putting together a balanced budget in a time of diminishing revenues will begin in earnest by late February. Between now and then, lawmakers will wait in anticipation of action by the Congress and worry over whom amongst their constituents will be hit the hardest.

FCS LEGISLATIVE RECEPTION AND DINNER ON 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.