

# FCS MONDAY MORNING

## *Legislative Update*

\*\*\*\*\*

March 2, 2009

\*\*\*\*\*

### **TUESDAY MARKS OPENING OF THE “REAL” 2009 SESSION State Budget Forecast Will Set the Tone for the Next 11 Weeks... Maybe Longer**

Lawmakers will get a sobering picture of the challenge ahead of them on Tuesday (3/3/) when the state’s revised budget forecast is rolled out. Early predictions from the Governor on down are that Minnesota will be facing a revenue shortfall of \$1 to 2 billion more than was predicted in November. At that point, the state’s economic prognosticators told legislators to expect \$4.8 billion less than was needed to keep the budget balanced at current spending levels.

Since then, despite efforts by the federal government to prop up the banking system and get credit flowing, the economy has continued to sputter and state revenue expectations have continued to decline.

In the face of this harsh reality, Governor Pawlenty proposed a budget for the upcoming biennium that would cut government spending on a number of health care programs, “shift” payments to local school districts from one year to the another, borrow against future tobacco settlement revenues and count on the federal government to send the state a stimulus check just under a billion bucks. And, as expected, he avoided any suggestion of the need to raise taxes.

Then, the federal economic stimulus package – the American Recovery and Reinvestment Act – passed by the Congress and signed by President Obama just 2 weeks ago added a further twist. State officials learned that federal help for Minnesota could range from \$2 – 3 billion but, there are strings attached. To get the money, school funding cannot be “shifted” and health care coverage for low income individuals cannot be cut. That takes most of the anticipated spending cuts off the table.

So, the roll-out of a new budget forecast on Tuesday will challenge lawmakers in ways that few in the Legislature have previously been tested. While the federal stimulus dollars will help offset lost revenues, the Governor and the Legislature will still have to find a way to fill an nearly \$5 billion hole in the state budget, albeit without being able to reduce spending in the areas of greatest cost to the state.

So, lawmakers have been on the road asking “regular folks” for their ideas and input and have been getting an earful as reported in this week’s edition of the House of Representatives *Session Weekly*. For more on that story you can link to [Session Weekly - Getting an earful](#).

Expect the Governor to roll out a new budget proposal that incorporates the latest budget projections and federal stimulus funding within a few days. Then, the real work of the 2009 Session will begin. Whether it gets done by the third Monday in May, the Constitutional deadline for adjournment remains to be seen.

### **FCS RECEPTION DECLARED A “RESOUNDING SUCCESS” Nearly Two Dozen Legislators Shared Suggestions with Farm Credit Leaders**

Bill Kiehne, Chair of the Farm Credit Services Legislative Committee, declared FCS’s recent annual gathering of lawmakers “the best legislative event we’ve ever had!”

*FCS Monday Morning* is published by John F. Apitz  
Messerli & Kramer, P.A., 145 University Avenue West, Suite 450, St. Paul, MN 55103  
Telephone (651) 556-9211 Fax (651) 228-9787  
[japitz@mandklaw.com](mailto:japitz@mandklaw.com)

"The friendship and exchange of ideas could not have been better, said Kiehne. "Despite the heavy lifting our legislators are facing, it is gratifying that so many of them took time to join us, this year."

Kiehne noted that more than twenty House and Senate members showed up to greet Farm Credit directors and staff and several stayed for dinner despite competition from a number of other events taking place at the same time.

Minnesota Ag Commissioner Gene Hugoson spoke to the group and encouraged support for a proposal from his department to redirect funds from ethanol producer payments into a newly named "Ag-21" program in the future. Ag-21 would combine the current livestock investment and NexGen energy grant programs into a single fund. Funding for the program would be meager over the next biennium but jump dramatically in a couple of years when existing ethanol payments end.

The chairs of both the House and Senate Agriculture Finance Committees, Rep. Al Juhnke (DFL-Willmar) and Senator Jim Vickerman (DFL-Tracy, commended the FCS legislative committee for bringing forward an agenda that was "in tune with what Minnesota producers need most." Both were pleased with Farm Credit's support for extending the Farmer-Lender Mediation program and said that they could support updating the program by increasing the threshold for offering mediation beyond the current \$5,000 level.

Rep. Doug Magnus (R-Slayton), the ranking Republican on the House ag finance committee, encouraged his fellow lawmakers to support FCS's call for adoption of a tax credit that would conform with existing federal law. The credit would allow to faster expending of capital purchases and would benefit producers and small business, alike. (In fact, an amendment to add the provision to another bill was narrowly defeated on the House floor only days later on a vote of 63 – 67.)

And, as always, Senator Steve Dill (R-Dassel) left the audience pondering another novel proposal. This time, he posed the idea that Americans should consider eating more horse meat or, at least, remove the current federal restriction of slaughter. Horse meat is consumed throughout the world and, Dille noted, the current federal prohibition forces many farmers to waste this valuable commodity.

Kiehne concluded the evening with a special thanks to all who attended and an invitation to return, next year.

### ***INFORMATION BRIEF IS USEFUL GUIDE TO AGRI-ENVIRONMENTAL POLICY House Research Department Publishes Important Policy Reference***

Most people haven't heard of the Minnesota House Research Department but, it is "*The Source*" for policy analysis and background information for members of the House of Representatives. Research staff has a host of duties including providing counsel to committees, drafting legislation and advising lawmakers on the wisdom of various proposals. They will also regularly prepare in-depth analysis on topics of importance to lawmakers.

"***A Minnesota Lawmaker's Guide to the Agri-Environmental Policy Landscape***" is just such a piece. Prepared by Legislative Analyst Colbey Sullivan, the new report identifies, classifies and summarizes the major state and federal agri-environmental laws impacting producers in Minnesota.

"The vitality of Minnesota agriculture – defined in this report as crop, livestock, and poultry production only – depends on natural resources like soil, air, and water. At the same time, agricultural production inevitably impacts these same resources. Recognizing this connection, state and federal lawmakers have adopted may laws that directly or indirectly address agriculture's relationship with the natural environment..." states Mr. Sullivan.

The report goes on to summarize regulations affecting livestock, cropping, wetlands and waters, as well as programs designed to protect the environment through subsidies aimed at improving and/or retiring soil and water resources.

The report is a comprehensive and useful tool for producers and policy makers, alike. To view the document, link to [Agri-Environmental Policy Landscape](#).

**GREEN ACRES UPDATE**  
**House Environment Committee Approves Bill**  
**Grandfathering Existing Parcels and Setting New Standards for Future**

In the House, [HF 217](#), authored by Rep. Tim Faust (DFL-Hinckley) was approved by the House Environment Policy Committee on Thursday (2/26) and sent on to House Tax Committee. The bill is designated as the vehicle for House action on the Green Acres issue. Among other things, it allows any land enrolled in Green Acres prior to 2008 to remain in the program indefinitely regardless of ownership, as long as it continues to be in agricultural use under the old (pre-2008) definition.

In addition, HF 217 eliminates the seven-year payback for rural vacant land grandfathered-in to Green Acres (reverting back to the three-year payback under the old law) and, it expands the 2a agricultural classification by allowing more land and some new uses of land to be considered agricultural. It also provides that land enrolled in RIM or CRP or a similar government-sponsored conservation program may be enrolled in Green Acres (as had been the case prior to 2008). For a detailed summary of the bill link to [HF 217 Bill Summary](#).

Measures in both the House and Senate are gaining additional authors as the bills move through the process. However, each faces an uncertain fate once they reach the tax committees. Tax Committee Chairs in both the House and Senate favor the reforms made to the Green Acres law, last year. Both the fact that the program is unevenly implemented across the state and that the taxpayers who do not hold property protected under Green Acres are forced to pay increased taxes for those who - by as much as 20% - were strong reasons for the changes made in 2008.

In the Senate, Senator Rod Skoe (DFL-Clearbrook) has been meeting recently with a number of stakeholders in an attempt to craft a solution to the Green Acres conundrum. His bill, [SF 386](#) is awaiting action in the Senate Tax Committee.

**FARMER-LENDER MEDIATION RENEWAL**  
**TO BE CONSIDERED IN AG COMMITTEES THIS WEEK**

Bills to eliminate the sunset on the Minnesota Mandatory Farmer-Lender Mediation Act will be considered in both the House and Senate Agriculture Committees this week. HF 841, authored by Rep. Al Juhnke (DFL-Willmar) and SF 289, authored by Senator Sharon Erickson-Ropes (DFL-Winona), would both make the program a permanent piece of Minnesota law after 22-years on the books as a "temporary" program.

The mediation program was enacted in 1986 during the throes of the farm credit crisis when farmers were losing their land to foreclosure. It was designed to allow farmers a chance to restructure their loans with their creditors and remain in business. The federal government adopted a similar law which requires the Farm Credit System to attempt loan restructuring before foreclosing on any borrower.

In the past, Farm Credit has opposed extending the state program. However, this year, FCS is supporting an extension of the program with a few changes to its provisions.

First, Farm Credit supports extending the program for another four to six years rather than making it permanent. This allows lawmakers to regularly assess the effectiveness of the program and determine whether it remains a worthwhile investment of taxpayer resources. Second, FCS supports an increase in the threshold at which mandatory mediation is triggered. The current threshold of \$5,000 in debts secured by farm real estate was approved in 1986 and, nearly two-thirds of the mediations offered are waived by the affected borrowers. FCS supports increasing the threshold as a means of reducing the paperwork required to be done by the Extension Service and redirecting those resources toward other producer or Ag-education programs.

The House committee will review the bill on Monday (3/2) and, the Senate will take it up on Tuesday (3/3).