

# FCS MONDAY MORNING

## Legislative Update

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March 30, 2009

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### ***“GREEN ACRES IS THE PLACE TO BE...” Tax Conference Committee Reaches Compromise on Ag Land Preservation Law***

On Thursday (3/26), members of conference committee on HF 392, a bill originally designed to make technical updates to Minnesota tax laws, also reached agreement on changes to the Green Acres program. Green Acres is the state's ag land preservation program which shifts taxes off of some rural landowners who have experienced rising property values due to the impacts of creeping urbanization.

A review of the forty-year old program by the Legislative Auditor, last year, identified several problems which lawmakers attempted to fix during the 2008 Session. Unfortunately the changes that were enacted also caught hundreds of landowners by surprise, setting off a near riot in several counties that have significant portions of their lands in the program. In response, lawmakers scrambled to “fix the fix,” this year, before landowners were required to indicate their intentions for future use of their property.

In 2008, the Green Acres law was modified by changing the definition of land allowed in the program. As approved by the conference committee, the Green Acres program would now institute a Rural Preservation program where land can be placed in if it is classified as “non-productive land.”

“The criteria for Green Acres remain the same. This is for parcels that were in Green Acres that weren't qualified so we have a place to put them,” said Senator Rod Skoe (DFL-Clearbrook).

Additional changes to the program allow for Conservation Reserve Program (CRP) lands to qualify for Green Acres if the land was used for ag purposes before enrollment. Green Acres property can be transferred to the son or daughter of the owner without losing its special status, as well as after the death, divorce or marriage of a landowner.

The conference report will be presented to the full House and Senate, this week, and will become effective immediately after signature by the Governor.

### ***FARMER-LENDER MEDIATION PROGRAM TO BE REVIEW BY HOUSE AG FINANCE COMMITTEE THIS WEEK***

The House Agriculture Finance division, chaired by Rep. Al Juhnke (DFL-Willmar) will take up HF 841 which extends Minnesota's Mandatory Farmer-Lender Mediation Program on Tuesday (3/31). The bill was originally designed to make the mediation program permanent but, has been amended to extend the existing sunset for another 4 years.

The main question before the committee will be whether to increase the current \$5,000 threshold for triggering mandatory mediation. Farm Credit Services and other lender organizations have asked that the threshold be raised to at least \$50,000 to reflect changes in the economy and the value of farm property that have occurred over the past 26 years since the program was first authorized.

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The University of Minnesota Extension Service continues to run the mediation program and receives nearly 2,000 foreclosure notices, each year. However, almost two-thirds of the recipients waive their rights to mandatory mediation because they are able to reach resolution with their lenders without resorting to the program.

Farm Credit and the other lenders have also agreed to allow an amendment to the bill that would remove the income limit on borrowers who seek assistance from the Farmers Legal Aid Group (FLAG).

***FARM CREDIT'S LARRY BUEGLER OFFERS A TESTED SOLUTION  
TO A NEW FORECLOSURE CRISIS  
"Home Values Guarantee Program" Would Create a Floor Under Home Values***

Larry Buegler, the former president of the AgriBank, recently presented his ideas for salvaging the current home real estate crisis using tools much like those he helped create to solve the farm crisis of the mid-1980's.

Buegler teamed up with Minnesota 2020, a liberal think-tank in St. Paul, to develop the idea. He rolled out the plan, last week. For details of the plan, link to [Minnesota 2020: Stabilizing Minnesota's Housing Market](#).

Folks who were involved with Farm Credit Services during the farm crisis will find Buegler's current proposal to contain many of the same features as were used to halt the farm foreclosure spiral of that time. Stabilizing home values by guaranteeing purchase investments and restructuring delinquent mortgages can have the effect of placing a floor under housing prices, Buegler claims. The result will be a restabilization of the housing market and a return to normal lending practices by the nation's banking industry.

Buegler's program was so successful in Minnesota in the mid-1980's that the federal government adopted it as a means of stemming the farm crisis nationwide at the time. Buegler believes that his approach could have a major impact on the current economic situation without costing the government the trillions of dollars that are now being directed toward the home foreclosures crisis.

Whether lawmakers heed Buegler's advice will remain to be seen.