FCS MONDAY MORNING

Legislative Update

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March 9, 2009

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FARMER-LENDER MEDIATION RENEWAL APPROVED
Ag Committees Move to Extend Program for Four Years

Bills to eliminate the sunset on the Minnesota Mandatory Farmer-Lender Mediation Act were taken up in both the House and Senate Agriculture Committees this past week. The original bills - HF 841, authored by Rep. Al Juhnke (DFL-Willmar) and SF 289, authored by Senator Sharon Erickson-Ropes (DFL-Winona) - would have removed the program's "sunset" and made it permanent after 22-years on the books.

At the request of Farm Credit Services and others, both authors amended their bills to simply extend the sunset for another four years. This will assure that lawmakers will review the program's usefulness, again, in the future.

The mediation program was enacted in 1986 during the throes of the farm credit crisis. It is designed to allow farmers a chance to restructured 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.

FCS is supporting an extension of the program but believes that the threshold at which mandatory mediation is triggered should be increased. 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 Senate Ag Committee amended SF 289 to increase the debt threshold from $5,000 to $10,000. The House Ag Committee did not make any similar change but is likely to consider such action at a later date.

The House Commerce Committee will take up HF 841 next on Tuesday (3/10). The Senate bill was sent on to the Judiciary Committee but no hearing date has been set.

HOUSE COMMITTEE TAKES A LOOKS AT AG-21
21st Century Agricultural Reinvestment Program Would Use Future Ethanol Producer Payments to Fund Livestock & Ag-Energy Investments

On Tuesday (3/3), the House Ag Finance Committee began considering a proposal by the Minnesota Department of Agriculture (MDA) Marketing Division to combine the existing Livestock Investment Grant Program and the NextGen Energy Grant Program under a single umbrella call Ag21 and fund it in the future using money that is now directed toward the ethanol producer payments.

Ag21 would be funded over the coming biennium from $1 million redirected from the Dairy Development and Profitability Enhancement Program. In 2012, the budget would increase to $1.8 million and in 2013 to $15.6 million from ethanol producer payments that will be end in 2010-11. Obviously, this has created some concerns among dairy producers who have testified in past weeks over the importance of both the dairy and livestock programs.

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THERE'S A $6.8 BILLION HOLE IN THE BUCKET
Federal Stimulus Dollars Ease Some of the Pain But
There's Plenty of Heavy Lifting to Come

State Economist Tom Stinson rolled out a revised state budget forecast on Tuesday (3/3) that held mixed messages for Minnesota lawmakers. The struggling economy is expected to reduce state tax revenues by $6.4 billion over the next biennium. However, the federal stimulus package passed by the Congress, last month, will add $1.8 billion to the bottom line thus resulting in a shortfall of "only" $4.57 billion.

For details on Stinson's report to the Legislature, you can link to From Worse to Bad - Lawmakers Still Face Record Deficit.

So, now the dance begins in earnest. The Governor is expected to send a revised 2010-1011 state budget proposal to lawmakers in a couple of weeks that will reflect the changes revenue but continue his "no new taxes" policy mantra.

House and Senate Democrats, however, have complained that the Governor is using a number of spending gimmicks to make his proposal balance and, even more significantly, has failed to set a course for the long-term. (Under the Governor's original budget proposal, the state would face an additional $2.5 billion shortfall in the next biennium.)

And, to top it all off, things are going to get worse before they improve. "This recession is longer and it's going to be deeper than we thought in November," Stinson told lawmakers. "It is probably going to be the longest and deepest recession since World War II… The jobs we that have been lost won't be recovered until 2012."

This will be the content for just about every legislative move and maneuver over the coming ten weeks. And, just like the early-1980's, lawmakers may be forced to return to the Capital for a number of Special Session before they are able to find a light at the end of the tunnel.

For an added perspective, check out Bill Salisbury's analysis from the Pioneer Press, this morning at Fixing the State Deficit.