



Office Memorandum

DATE: 6/4/09

TO: Kim Gunderson
Legislative Reference Library

FROM: Carol Milligan
Commissioner's Office

PHONE: 651-201-6606

SUBJECT: **Submittal of Statement of Need and Reasonableness**

As required by Minnesota Statutes, sections 14.23, enclosed is the Statement of Need and Reasonableness for amendments to rules governing the beginning farmer loan program. The Notice of Intent to Adopt Rules and the rules will be published in the *State Register* on 6/22/09.

Please feel free to call me if you have any questions.

RURAL FINANCE AUTHORITY

STATEMENT OF NEED AND REASONABLENESS

Proposed Amendments to Rules Governing Agricultural Development Bond Beginning Farmer Loan Program; Minnesota Rules 1650.0511 and 1650.0531.

I. INTRODUCTION:

The subject of this rulemaking is the proposed adoption of amendments to the rules governing the Agricultural Development Bond Beginning Farmer Loan Program administered by the Minnesota Rural Finance Authority. The purpose of the amendment is to bring the rules into compliance with federal regulation changes on borrower eligibility requirements and maximum loan limits. The statutory authority to adopt this rule is M.S. 41C.13. This statement was made available for public review on June 4, 2009.

II. DESCRIPTION OF CLASSES OF PEOPLE AFFECTED BY THE RULES.

The classes of people affected by the proposed rules are agriculture lenders and borrowers. There is not any cost to anyone for the proposed rule changes. The classes of people who will benefit from the proposed rules are agriculture lenders and borrowers. By changing the Minnesota rules to adopt the federal regulations by reference, it will keep Minnesota rules up-to-date in a timely manner and consistent with the regulations on a federal level. This will ultimately allow more people to participate in the aggie bond program.

III. PROBABLE COST TO THE AGENCY AND EFFECT ON REVENUE.

There are not costs to this rule change. There is also no effect on revenue.

IV. DETERMINATION OF A LESS COSTLY OR LESS INTRUSIVE METHOD.

It has been determined that there is no less costly or intrusive method of achieving the purpose of the proposed rules.

V. DESCRIPTION OF ALTERNATIVE METHODS.

The board considered no alternative methods.

VI. PROBABLE COST OF COMPLYING.

There is not a cost of complying with the proposed rule changes.

The proposed rules were submitted to the Department of Management and Budget for consultation on the fiscal impact and benefit of the proposed rule on local units of government. Comments from the Department of Management and Budget are attached.

In accordance with M.S. 14.127 the agency has determined that the cost of complying with the rule will not exceed \$25,000 for a business with less than 50 people or a city with less than 10 full time employees because we are adopting the federal regulations by reference to revise current rules and there is not a cost due to these changes.

- VII. PROBABLE COSTS OR CONSEQUENCES OF NOT ADOPTING THE RULE.
The probable costs or consequences of not adopting the proposed rule for affected regulated industry, governmental units or individuals are fewer people will be eligible for the program. In addition, it will be confusing to have state rules that are different from the federal and other states because our rules are more restrictive.
- VIII. DIFFERENCES BETWEEN FEDERAL AND STATE REGULATIONS.
There is not a difference between the proposed rule and existing federal regulations. The reason for this rule change is to correct inconsistencies between Minnesota rules and the federal Food, Conservation, and Energy Act of 2008.
- IX. PERFORMANCE BASED REGULATORY SYSTEMS.
In developing the rules, the department considered and implemented the legislative policy supporting performance-based regulatory systems by adopting the federal regulation by reference. This will make it easier to comply with federal eligibility requirements for the Aggie Bond program. The amendment will also keep Minnesota's rules consistent with future federal regulations, thereby saving time and dollars.
- X. EFFORTS TO PROVIDE NOTICE TO PERSONS TO BE AFFECTED BY THE RULE.
The rules and notice of intent to adopt these rules without a public hearing will be sent to the Minnesota Bankers Association, the Independent Community Bankers Association and Farm Credit Services.
- XI. NEED FOR AND REASONABLENESS FOR THE PROPOSED RULE.

1650.0511, subp. 16. and 1650.0531, subp. 1.

This rule is necessary because of the need for consistency between federal rules and state rules. This program has federal authorization, but lets the states operate the program. Recent federal law changes expanded the eligibility options for farmers (borrowers) to participate in the program. If the state rules are not updated, it will prevent some Minnesota residents from participating in the program. This will mean less young farmers in the state. The proposed changes in the rules will delete the prescriptive details of Minnesota rules and insert a reference to the federal rules. In this way any future changes in federal rules will also be incorporated into our state program. The rule is reasonable because it is the most efficient way to stay in compliance with federal regulations.

ALTERNATIVE FORMAT: Upon request, this Statement can be made available in an alternative format, such as large print, Braille, or cassette tape. To make a request, contact Carol Milligan at Minnesota Department of Agriculture, 625 Robert St. N., St. Paul, MN 55155-2538, 651-201-6606, and fax: 651-201-6118. TDD users may call the Department of Agriculture at 800-627-3529.



Date: May 20, 2009

To: Carol Milligan, Minnesota Department of Agriculture

From: Kerstin Larson, Executive Budget Officer

Re: M.S. 14.131 Review of Proposed Revisions to Minnesota Rules 1650.0511 and 1650.0531

Background: The Minnesota Department of Agriculture is proposing to revise Minn. Chapter 1650 in order to comply with Federal law changes regarding borrower eligibility for the Agricultural Development Bond Beginning Farmer Loan Program. The proposed rule change expands eligibility for this loan program and eliminates limits on loan amounts. Pursuant to M.S. 14.131, the Minnesota Department of Agriculture has asked the Commissioner of Management and Budget to help evaluate the fiscal impact and fiscal benefit of the proposed rule on local units of government.

Evaluation

On behalf of the Commissioner of Management and Budget, I have reviewed the proposed rules and related Statement of Need and Reasonableness (SONAR) for any potential costs and benefits to local units of government. My evaluation is summarized below:

1. The proposed rules will affect agricultural lenders and borrowers. The rule change broadens the program eligibility by eliminating the requirement that borrowers meet certain farm size, land value, or tax exemption criteria. It also eliminates the maximum loan size. There are no increased costs associated with the rule change, which brings state rules into compliance with the federal Food, Conservation and Energy Act of 2008.
2. Local units of government are not involved in either the administration or enforcement of these regulations.

Based on this information, I believe that the Minnesota Department of Agriculture's proposed rule revisions will have no fiscal impact on local units of government.

Cc: Mike Roelofs, Budget Division Team Leader