



**RMFU Rocky Mountain
Farmers Union**



Testimony of Rocky Mountain Farmers Union before the 2009 Fiscal Stability Reform Commission

Chairman Heath, Members of the committee, my name is Kent Pepler and I am President of the Rocky Mountain Farmers Union. Thank you for allowing me to speak before you today. We supported Referenda C and D in 2005 because we knew the state needed a time-out from the crippling spending mandates and revenue restrictions in our constitution. We had hoped that everyone would take the time to examine the whole system while we had some breathing room. I guess that is why you guys are here today, and I'd like to share our concerns with you.

Farmers Union has three concerns for rural Colorado that we want to bring to your attention. The first is the debate over revenue enhancement by eliminating tax exemptions made possible by the Colorado Supreme Court's Mill Levy decision. Farmers Union urges lawmakers to prioritize these tax exemptions, giving higher priority to those that encourage production within Colorado and spur economic growth. It's easy to poke fun at things like the bull semen tax exemption but we shouldn't overlook the sales figures for the other agricultural compounds covered by that exemption. We should remember that dropping the sales tax exemption for livestock would dramatically increase the price of food by taxing the same animal over and over as it moves from a cow-calf operation through finishing and on to slaughter. Tax policy should never happen in a vacuum, without looking thoughtfully at consequences .

Second, we want to get that large target off the back of the Colorado Department of Agriculture. Last year amendments were offered in the Long Bill to eliminate the Marketing and Conservation Board divisions, for a savings of \$450,000 and \$850,000 respectively. Those amounts are basically a rounding error in the general fund budget, but they fund programs that are vital to the agriculture community, which is vital to the state economy. The Marketing division operates the Colorado Proud program, urging consumers to buy locally. This is the tenth anniversary of this successful program, which serves both producers and consumers. The Conservation Board division is more important than ever. With millions of acres coming out of the Conservation Reserve Program, we need the Conservation Board division to protect soil and water quality in Colorado. There is a legitimate public interest in preserving these programs, and they should continue to be funded.

Finally, the Department of Natural Resources budget is of vital interest to agriculture and rural Colorado. Those on the JBC know about the financial complexities of Tier I and Tier II priorities, the Perpetual Base Account, and the CWCB construction fund. Last year there were over \$60 million in transfers from the Perpetual Base Account to the General Fund, leaving no money for water projects. There was a \$10 million transfer from the CWCB construction fund, also raiding water projects. Overall, the Perpetual Base Account lost \$97 million. Senate Bill 293 eventually funded severance tax operational account priorities, but big ticket items like LEAP were backfilled with federal money. We can't expect modestly rising

Rocky Mountain Farmers Union

5655 S. Yosemite #400

303.752.5800

rmfu.org

Beginning a New Century

severance tax revenue to shore up budgetary holes. Last year was a terribly low year for severance tax revenue and this year is not much better.

Agriculture is hit by cuts to the Departments of Agriculture and Natural Resources. But we are also hit through Public Health and Environment because of water quality and CAFO concerns, through Higher Education for our community colleges and the ag programs at CSU, and through Human Services and Health Care Policy and Financing for our rural health services.

This committee has an enormous responsibility. Please remember that agriculture adds \$16 billion to the state economy. We add over 100,000 jobs to the state of Colorado. Rural Colorado is the source of fuel for the New Energy Economy and home of many job-creating renewable energy projects. A strong educational and healthcare system requires a partnership with rural communities to ensure fiscal stability. We can no longer rely on piecemeal approaches such as raiding DNR cash funds and de-Brucing efforts at the local level.

Thank you for your time and your consideration.