

Senator Ann Rest
Senate Taxes Committee
Capitol Room 328
75 Rev. Dr. Martin Luther King Jr. Blvd.
Saint Paul, MN 55155

Re: SF 2374, Governor's Budget Recommendations for Department of Revenue, Tax Aids and Credits

March 24, 2025

Chair Rest and members of the Committee,

Thank you for the opportunity for The Nature Conservancy (TNC) to comment on the Governor Walz and Lt. Gov. Flanagan Administration's budget recommendations contained in SF 2374. The Nature Conservancy is a nonprofit organization working to conserve the lands and water on which all life depends toward our vision where nature and people thrive.

As the committee considers these budget recommendations for the Department of Revenue and Tax Aids and Credits, we write to share considerations about how proposed changes will impact people and nature and the challenges facing Minnesota's climate, natural resources, and biodiversity.

- 1) **Sustainable Forest Incentive Act (SFIA) Payments Reduction and Statutory Changes:** We are concerned by the proposal in Sections 4 and 7 of SF 2374, which will reduce the rate of incentive payments and allow enrollees to break their long-term covenants early as a condition of the rate change. Though TNC is a landowner enrolled in the program and our payments would be negatively impacted by the proposal, our primary concern is regarding the overall impact to forests in the state and tackling climate change.

SFIA has been a critical tool to ensure forest cover is retained in large contiguous blocks. Science shows that the best nature-based carbon sequestration tool in Minnesota is maintaining and expanding tree cover, and that starts with protecting existing forests. The proposal to scale back SFIA payments will likely result in a loss of forest canopy.

Based on past budget recommendations and the Climate Action Framework, we believe this Administration is committed to addressing climate change, but reducing these payments risks decreasing the participation of landowners who are dependent on them to partake in this program and ultimately risks losing a significant carbon sequestration tool.

SFIA works to store carbon and provide multiple benefits for water quality, water quantity, habitat, outdoor recreation, and wood products which has resulted in large forest tracts remaining intact assets to the state. There is a significant risk for loss of forested lands should the current proposal of incentive reductions move forward.

- 2) **Sustainable Aviation Fuel (SAF) Tax Credit Expansion:** As the committee considers the important proposal for expanding the Sustainable Aviation Fuel tax credit, we urge members to include approaches to make SAF truly sustainable, such as sourcing from lands with long term, significant

documented cropping history, supporting **diverse** feedstocks, and excluding imported used cooking oil.

- 3) **Payment in Lieu of Taxes (PILT) Reduction:** While this proposal is not included in the underlying SF 2374, it has been offered by the Administration in a budget proposal update as of March 21, 2025. We offer our concern about the proposed 34% reduction to PILT and any proposed amendments in this bill or others that would decrease current funding levels. PILT is an important tool that supports counties' property tax base in exchange for conservation of prairies, forests, grasslands and other natural lands that benefit all Minnesotans and provide clean air, water, carbon sequestration, habitat, outdoor recreation opportunities and more.

A significant reduction to PILT is expected to have a chilling effect on the foundation of county-based conservation due to the financial challenges it would create, as it would undermine the ability to continue important conservation efforts in the face of climate challenges and water impairments, among other threats to nature. We hope the committee will identify alternative solutions that don't risk losing an important conservation tool in the face of climate, water, and biodiversity challenges.

Thank you for your consideration,



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