

March 23, 2017

The Honorable Torrey Westrom
Minnesota Senate Building, Room 3201
95 University Avenue West
Saint Paul, Minnesota 55155

Dear Chair Westrom:

I want to thank you and your colleagues for putting together the proposed agriculture budget presented as a delete all to SF780. Our agency appreciates the commitment of you and the members of the Senate Agriculture, Rural Development and Housing Committee to the budget process. The bill does give the Department concerns, and as it moves to the Senate Finance Committee I would like to highlight some of these concerns.

Governor's Budget Requests

Earlier this year Governor Dayton outlined his budget request for the Minnesota Department of Agriculture. Governor Dayton invested \$8.567 million in general funds and \$2.420 million in dedicated funds to respond to the needs of Minnesota's agriculture industry. The Department is disappointed that Senate proposal invests no additional funds in the Department.

The Governor's agriculture funding priorities included enhancing the ability to respond to emerging issues facing agriculture, such as increased plant pathogen and pest risks, eradication of noxious weeds, and pollinator decline. The Governor also included funding for the agency to modernize the interface of our programs through IT infrastructure investments. Additionally, the Governor invested in new market opportunities for Minnesota farmers.

The Governor's agriculture funding priorities include:

- \$2.065 million in FY18-19 for operating adjustments at the Department to maintain current levels of service.
- \$1.5 million for continuous improvement and IT infrastructure to improve internal processes related to customer service.
- \$1 million to expand capabilities to detect, identify, contain and manage high priority plant pathogens and pests.

- \$600,000 to provide staff and programmatic funding to the Department's Noxious Weeds Program.
- \$2 million for research on cropping systems that provide continuous cover and new market opportunities for Minnesota Farmers.
- \$400,000 to maintain the Industrial Hemp Pilot Program.
- \$1 million in general funds and \$500,000 in dedicated funds to establish a Pollinator Protection Account.
- \$1.7 million in dedicated funds to provide fiscal sustainability of the Waste Pesticide Collection program.
- \$220,000 in dedicated funds to establish a dedicated account to support administration of Certificates of Free Sale.

The Department has serious concerns with several of the provisions in the bill. It is unfortunate the Senate does not recognize the need to invest in the future at a time when our state has a projected \$1.65 billion surplus, and at a time when Minnesota's agricultural economy is facing a downturn.

Not only does this budget present a \$0 target in funding, it was also stated that an objective of this bill was a 0 target in additional staff. This bill includes several proposals that leave our agency with unfunded administrative duties. The ever increasing expectations of providing outcomes, efficiencies and reporting cannot be produced without investing in appropriate staffing levels. Proposing additional demands on our staff with limited assistance or administrative funding lessens our ability to ensure the integrity of our food supply, the health of our environment, and the strength of our agricultural economy.

Department of Agriculture Operating Costs

Your budget proposal not only ignores the agency operating cost request, but cuts the Department of Agriculture operating budget by \$386,000 over the next biennium. This will have an impact on our agency's ability to be successful at enforcing the State's laws and providing services to Minnesotans.

Agriculture Growth, Research and Innovation (AGRI) Program

The Department has significant concerns with the changes made to the AGRI Fund. This program has created over 4,000 jobs in Minnesota and has leveraged over \$200 million in private investment, which has helped to diversify and strengthen Minnesota's agricultural economy. We are disappointed that the Senate chose to remove language to allow grants for Farm to School and Beginning and Transitioning farmers.

In addition, the Department has concerns about earmarking AGRI dollars. Flexibility within this program allows the Department to be responsive to the ever changing needs of Minnesota's agricultural producers. The Senate proposal earmarks funds for Livestock Investment and Value-Added grants. While these are important components of AGRI, these earmarks tie our hands and limit funds for other grant categories within AGRI.

One example of the benefit of flexibility in this fund is the Biofuel Infrastructure Partnership (BIP) grant program. In 2015, an opportunity arose for the Department to leverage significant federal funds for increasing biofuel infrastructure throughout Minnesota. Minnesota was able to immediately coordinate with industry partners to develop a proposal that resulted in millions of federal dollars invested in Minnesota that otherwise would have gone to other states.

We work closely with a number of organizations and constituents to help us determine where to invest AGRI resources. This ensures that input from members of the public and the agricultural industry are included in decision-making within this fund.

Noxious Weeds and Invasive Plant Protection Grants

The Department was pleased to see investment in the Noxious Weed Assistance Account, which has been unfunded since its inception. More funding is certainly warranted at the local level. However, the agency is disappointed that programmatic funding included in the Governor's proposal was not included in this bill. As we have heard in many Committee hearings, Palmer amaranth is a big concern for Minnesota agriculture. New noxious weed threats like Palmer amaranth are difficult to manage if there are not statewide resources and coordinated planning. Funding for local governments is important, but so is funding for the staff who will support their work at the state level.

The Minnesota Noxious Weed Advisory Committee, which consists of representatives from state agencies, local units of government, private industry and the agricultural community has been supportive of increased funding to the Department's Noxious Weed program for the past seven years.

In order to administer the proposed \$300,000 in grants, the agency will need administrative and staff resources.

Industrial Hemp Pilot Program

The Industrial Hemp Pilot Program has received 42 applications with a proposed 2,155 acres in total hemp planting for the 2017 growing season. This increase in participation shows the interest in developing the industrial hemp industry in Minnesota. Providing grants to hemp growers, as is proposed in the Senate bill, is not a necessary function of this program. The Department needs the Governor's request to fund the program coordinator which is necessary to manage the application process, ensure the state's Drug Enforcement Agency (DEA) permit is in



line, license and approve growers, track and test planted acres, and review criminal background checks for each applicant. Without funding for this proposal, the program cannot continue.

Label Compliance

The Department has very serious concerns about the language in Section 8 of this bill. This language, which was never heard in Committee, would remove existing pesticide authorities from the agency and is not an acceptable language change.

The label compliance language in your bill has implications and potential unintended consequences for MDA's pesticide authorities. The Federal Insecticide, Fungicide and Rodenticide Act (FIFRA) requires that pesticide users comply with label requirements. FIFRA allows states to regulate pesticides, which is done by the label. FIFRA also authorizes states to require more restrictive measures than are required of federal labels to address state-specific or region-specific concerns. This language would prevent Minnesota from being able to respond to local pesticide use concerns.

Overall, the Governor's budget provides \$10.9 million in new important and targeted investments in Minnesota agriculture. The proposed Senate bill provides a cut of \$300,000 over the next biennium. Agriculture is a cornerstone of Minnesota's economy. If we are going to keep our industry strong and competitive, and ensure Minnesotans the integrity of our food supply, the health of our environment, and the strength of our agricultural economy, Minnesota needs to make investments.

Thank you for your consideration of these items. I look forward to our continued work together to ensure that Minnesota continues to invest in our important agriculture sector.

Sincerely,

A handwritten signature in black ink, appearing to read "David J. Frederickson", with a long, sweeping horizontal line extending to the right.

David J. Frederickson
Commissioner

CC:
Senate Finance Committee Chair Julie Rosen