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<https://mda.state.mn.us/>

AT A GLANCE

- 535 employees across the state
- Analyzed over 3,700 dairy product samples and 2,200 meat and poultry samples in partnership with the MDA Laboratory Division
- Conducted over 3,100 manufactured food, 10,200 retail food, and 560 animal feed inspections to ensure the safety and quality of products manufactured and distributed in Minnesota.
- Issue about 1,500 phytosanitary certificates annually providing worldwide market access.
- Assisted Minnesota counties, townships, and cities with the enforcement of noxious weed issues
- Annual Agricultural Growth, Research, and Innovation (AGRI) \$14.354 million state investment in FY21 was matched by \$33 million in private investment
- 1,290 farms and farmers' markets licensed to use the Minnesota Grown logo
- In partnership with all Minnesota counties, collected nearly 660,000 pounds of waste pesticides in 2021

PURPOSE

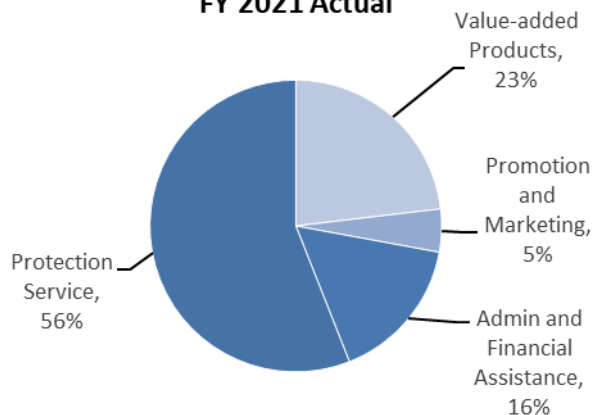
Our mission is to enhance Minnesotans' quality of life by ensuring the integrity of our food supply, the health of our environment, and the strength of our agricultural economy.

The Minnesota Department of Agriculture (MDA) provides many services to Minnesota farmers, their consumers, and the agriculture economy. Among our many efforts, we:

- Invest in farmers through education and grants aimed at modernizing the family farm;
- Invest in the future of the agricultural economy with grants for research and value-added processing;
- Ensure that state and federal regulations for food and health safety are followed;
- Educate producers, suppliers, and consumers on proper production and handling of food products;
- Educate Minnesotans about environmental hazards to keep our farms, homes, businesses, and neighborhoods safe;
- Promote the consumption of Minnesota-grown foods; and
- Promote the export of Minnesota crops and livestock.

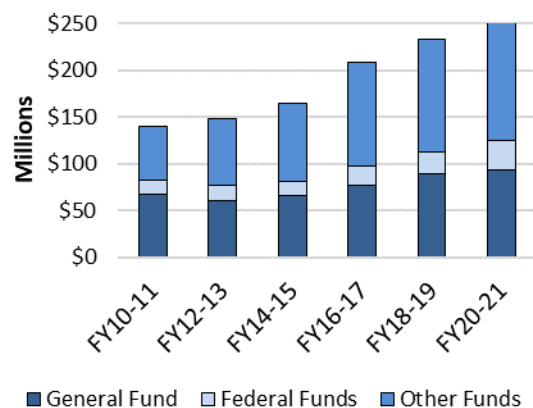
BUDGET

**Spending by Program
FY 2021 Actual**



Source: Budget Planning & Analysis System (BPAS)

Historical Spending



Source: Consolidated Fund Statement

Our budget comes from various sources. The most significant funding resources are split between fee revenues and general funds. Fee revenues must be spent to support the activities from which they are collected. The state's General Fund is used for various activities throughout the agency. A large portion of the general fund budget passes through MDA's Agricultural Growth, Research, and Innovation (AGRI) programs, Agriculture Research, Education, Extension, and Technology Transfer (AGREETT) program, and other assistance programs. Federal fund expenditures accounted for approximately 12 percent of MDA's budget spend and the Rural Finance Authority's revolving loan program accounted for just under 14 percent.

STRATEGIES

We use a range of regulatory and voluntary strategies to support our mission. This includes the use of registration, labeling, licensing, permitting, inspection, and enforcement efforts. Additionally, we coordinate and conduct outreach activities such as workshops, conferences, and field demonstration projects.

Our staff conduct inspections and verify samples to ensure that producers, processors, wholesalers, haulers, grocery and convenience stores, and other industry personnel are producing and handling dairy, food, meat, and feed products in a safe manner to protect them from unintended alteration and contamination.

We ensure that Minnesota plant products meet the import requirements of our trading partners, meet grading standards established in contracts, that seeds meet viability and purity standards, that general health standards are met for nursery stock, and that standards for freedom from harmful plant pests are met.

Our marketing and promotional initiatives offer producers technical and financial assistance on a variety of issues, including dairy and livestock development, business planning, and emerging water quality and conservation practices.

Our staff facilitates access to new markets through the Minnesota Grown Program, regional and domestic marketing opportunities, and support for international trade missions, market research, and export assistance. We also support the organic industry through education and direct financial support.

Minnesota Statutes Chapter 17, (<https://www.revisor.mn.gov/statutes/?id=17>) creates the Department of Agriculture and provides specific authority to the commissioner.

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
<u>Expenditures by Fund</u>								
1000 - General	46,511	46,236	44,767	65,728	51,413	52,029	71,236	64,406
1251 - COVID-19 Minnesota	1,239	10						
2000 - Restrict Misc Special Revenue	1,474	1,250	1,185	1,229	1,247	1,267	1,247	1,267
2001 - Other Misc Special Revenue	6,068	6,308	6,425	7,360	7,412	7,650	7,412	7,650
2018 - Agriculture	41,351	41,188	39,854	46,292	46,743	46,183	49,042	52,157
2050 - Environment & Natural Resources	1,536	806	413	1,399				
2301 - Arts & Cultural Heritage	358	366	532	406				
2302 - Clean Water	12,044	14,491	15,205	14,499			16,115	16,115
2403 - Gift		21	147	1,161	6	6	6	6
2801 - Remediation	1,690	1,846	2,205	2,431	2,396	2,402	2,396	2,402
3000 - Federal	10,144	9,760	12,006	20,115	22,423	20,264	22,498	20,339
3010 - Coronavirus Relief	74	12,459						
3015 - ARP-State Fiscal Recovery			5,993	7				
6000 - Miscellaneous Agency	61	364		2				
Total	122,551	135,104	128,730	160,629	131,640	129,801	169,952	164,342
Biennial Change				31,705		(27,918)		44,935
Biennial % Change				12		(10)		16
Governor's Change from Base								72,853
Governor's % Change from Base								28

Expenditures by Program

Protection Services	72,586	75,064	73,388	83,457	68,486	67,839	94,613	91,014
Promotion and Marketing	6,874	6,391	7,914	13,501	13,042	14,240	14,421	15,750
Value-added Products	26,205	30,993	24,860	29,072	27,022	27,022	31,522	31,522
Administration and Financial Assistance	16,885	22,656	22,568	34,599	23,090	20,700	29,396	26,056
Total	122,551	135,104	128,730	160,629	131,640	129,801	169,952	164,342

Expenditures by Category

Compensation	47,186	47,391	48,191	54,007	51,157	51,412	59,774	62,470
Operating Expenses	36,599	36,370	36,355	46,770	35,988	34,736	46,028	43,563
Grants, Aids and Subsidies	38,577	50,013	43,597	58,862	43,595	42,795	58,250	57,451
Capital Outlay-Real Property	7	714	515	903	867	825	867	825

Agriculture

Agency Expenditure Overview

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base		Governor's Recommendation	
					FY24	FY25	FY24	FY25
Other Financial Transaction	181	615	72	87	33	33	5,033	33
Total	122,551	135,104	128,730	160,629	131,640	129,801	169,952	164,342

Total Agency Expenditures	122,551	135,104	128,730	160,629	131,640	129,801	169,952	164,342
Internal Billing Expenditures	6,149	6,616	6,115	7,271	6,808	6,684	7,665	7,642
Expenditures Less Internal Billing	116,402	128,488	122,616	153,358	124,832	123,117	162,287	156,700

<u>Full-Time Equivalents</u>	486.79	468.45	459.63	499.99	462.34	457.28	510.11	510.85
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Agriculture

Agency Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Balance Forward In	6	3,785	14	11,650				
Direct Appropriation	55,059	53,808	74,504	65,011	62,334	62,950	85,732	77,402
Transfers In	3,474	1,685	502	3,108	173	204	173	204
Transfers Out	10,210	11,421	18,173	14,041	11,094	11,125	14,669	13,200
Cancellations		1,606	429					
Balance Forward Out	1,817	14	11,652					
Expenditures	46,511	46,236	44,767	65,728	51,413	52,029	71,236	64,406
Biennial Change in Expenditures				17,747		(7,053)		25,147
Biennial % Change in Expenditures				19		(6)		23
Governor's Change from Base								32,200
Governor's % Change from Base								31
Full-Time Equivalents	175.34	164.01	163.72	182.08	174.79	172.99	187.64	157.45

1251 - COVID-19 Minnesota

Balance Forward In		10						
Direct Appropriation	4,202							
Balance Forward Out	2,963							
Expenditures	1,239	10						
Biennial Change in Expenditures				(1,249)		0		0
Biennial % Change in Expenditures				(100)				
Governor's Change from Base								0
Governor's % Change from Base								

2000 - Restrict Misc Special Revenue

Balance Forward In	7,860	7,032	7,804	9,668	5,890	2,700	5,890	2,700
Receipts	1,527	969	965	2,998	10,989	4,263	10,989	4,263
Transfers In	320	876	1,537	1,537	1,525	1,525	6,700	6,700
Transfers Out	200	716	38					
Net Loan Activity	(1,042)	894	584	(7,084)	(14,457)	(3,574)	(19,632)	(8,749)
Balance Forward Out	6,991	7,804	9,668	5,890	2,700	3,647	2,700	3,647
Expenditures	1,474	1,250	1,185	1,229	1,247	1,267	1,247	1,267
Biennial Change in Expenditures				(311)		100		100
Biennial % Change in Expenditures				(11)		4		4

Agriculture

Agency Financing by Fund

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24 FY25		Governor's Recommendation FY24 FY25	
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	10.91	9.98	7.28	6.99	6.83	6.86	6.83	6.86

2001 - Other Misc Special Revenue

Balance Forward In	7,416	7,469	7,697	7,238	7,013	6,380	7,013	6,380
Receipts	6,149	6,616	6,088	7,270	6,914	6,624	6,914	6,624
Internal Billing Receipts	6,149	6,616	6,088	7,270	6,914	6,624	6,914	6,624
Transfers In			2,869					
Transfers Out	66	80	2,990	135	135	135	135	135
Balance Forward Out	7,431	7,697	7,238	7,013	6,380	5,219	6,380	5,219
Expenditures	6,068	6,308	6,425	7,360	7,412	7,650	7,412	7,650
Biennial Change in Expenditures				1,409		1,277		1,277
Biennial % Change in Expenditures				11		9		9
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	30.97	32.63	33.31	38.19	38.19	38.19	38.19	38.19

2018 - Agriculture

Balance Forward In	27,909	25,909	24,654	29,008	27,170	23,823	27,170	27,650
Receipts	28,535	29,919	30,709	34,958	33,900	34,317	38,451	39,618
Transfers In	11,939	11,720	15,847	12,138	11,807	11,807	13,382	11,882
Transfers Out	2,453	2,334	2,351	2,642	2,311	2,311	2,311	2,311
Balance Forward Out	24,579	24,027	29,005	27,170	23,823	21,453	27,650	24,682
Expenditures	41,351	41,188	39,854	46,292	46,743	46,183	49,042	52,157
Biennial Change in Expenditures				3,607		6,780		15,053
Biennial % Change in Expenditures				4		8		17
Governor's Change from Base								8,273
Governor's % Change from Base								9
Full-Time Equivalents	178.40	172.68	171.88	178.51	184.31	183.22	185.31	218.41

2050 - Environment & Natural Resources

Balance Forward In	1,017	958	550	136				
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Agriculture

Agency Financing by Fund

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24 FY25		Governor's Recommendation FY24 FY25	
Direct Appropriation	1,000			1,263	0	0	0	0
Cancellations	5	0	1					
Balance Forward Out	476	152	136					
Expenditures	1,536	806	413	1,399				
Biennial Change in Expenditures				(529)		(1,812)		(1,812)
Biennial % Change in Expenditures				(23)		(100)		(100)
Governor's Change from Base								0
Governor's % Change from Base								
Full-Time Equivalents	4.44	2.38	0.02	1.02	0.02	0.02	0.02	0.02

2301 - Arts & Cultural Heritage

Balance Forward In	21	73	143	6				
Direct Appropriation	400	400	400	400	0	0	0	0
Cancellations		10	5					
Balance Forward Out	63	98	6					
Expenditures	358	366	532	406				
Biennial Change in Expenditures				214		(938)		(938)
Biennial % Change in Expenditures				30		(100)		(100)
Governor's Change from Base								0
Governor's % Change from Base								

2302 - Clean Water

Balance Forward In	5,087	7,444	9,475	4,379				
Direct Appropriation	11,010	10,710	10,120	10,120	0	0	19,290	19,290
Transfers Out		60					3,175	3,175
Cancellations	161		12					
Balance Forward Out	3,892	3,604	4,378					
Expenditures	12,044	14,491	15,205	14,499			16,115	16,115
Biennial Change in Expenditures				3,169		(29,704)		2,526
Biennial % Change in Expenditures				12		(100)		9
Governor's Change from Base								32,230
Governor's % Change from Base								
Full-Time Equivalents	29.16	28.19	28.72	31.76	0.01	0.01	33.43	33.43

Agriculture

Agency Financing by Fund

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24 FY25		Governor's Recommendation FY24 FY25	
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2403 - Gift

Balance Forward In	46	49	53	1,070	31	26	31	26
Receipts	1	25	1,163	122	1	1	1	1
Transfers In		4						
Transfers Out		4						
Balance Forward Out	47	53	1,070	31	26	21	26	21
Expenditures		21	147	1,161	6	6	6	6
Biennial Change in Expenditures				1,287		(1,296)		(1,296)
Biennial % Change in Expenditures						(99)		(99)
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents				1.00				

2801 - Remediation

Balance Forward In		13		32		3		3
Direct Appropriation	399	399	399	399	399	399	399	399
Open Appropriation	1,304	1,469	1,838	2,000	2,000	2,000	2,000	2,000
Cancellations		35						
Balance Forward Out	13		32		3		3	
Expenditures	1,690	1,846	2,205	2,431	2,396	2,402	2,396	2,402
Biennial Change in Expenditures				1,100		162		162
Biennial % Change in Expenditures				31		4		4
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	2.80	2.43	2.60	2.60	2.60	2.60	2.60	2.60

3000 - Federal

Balance Forward In	2	0	1					
Receipts	10,147	9,760	12,005	20,115	22,423	20,264	22,498	20,339
Balance Forward Out	4	0						
Expenditures	10,144	9,760	12,006	20,115	22,423	20,264	22,498	20,339
Biennial Change in Expenditures				12,217		10,566		10,716

Agriculture

Agency Financing by Fund

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24 FY25		Governor's Recommendation FY24 FY25	
Biennial % Change in Expenditures				61		33		33
Governor's Change from Base								150
Governor's % Change from Base								0
Full-Time Equivalents	54.77	55.84	52.08	57.82	55.59	53.39	56.09	53.89

3010 - Coronavirus Relief

Balance Forward In		7,562						
Direct Appropriation	6,600	6,771						
Transfers In		6						
Transfers Out		6						
Cancellations		1,874						
Balance Forward Out	6,526							
Expenditures	74	12,459						
Biennial Change in Expenditures				(12,533)		0		0
Biennial % Change in Expenditures				(100)				
Governor's Change from Base								0
Governor's % Change from Base								
Full-Time Equivalents		0.31						

3015 - ARP-State Fiscal Recovery

Balance Forward In				7				
Direct Appropriation			6,000					
Balance Forward Out			7					
Expenditures			5,993	7				
Biennial Change in Expenditures				6,000		(6,000)		(6,000)
Biennial % Change in Expenditures						(100)		(100)
Governor's Change from Base								0
Governor's % Change from Base								
Full-Time Equivalents			0.02	0.02				

6000 - Miscellaneous Agency

Balance Forward In	227	2	2	2				
Receipts	(164)	364	0					

Agriculture

Agency Financing by Fund

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24 FY25		Governor's Recommendation FY24 FY25	
Balance Forward Out	2	2	2					
Expenditures	61	364		2				
Biennial Change in Expenditures				(423)		(2)		(2)
Biennial % Change in Expenditures				(100)				
Governor's Change from Base								0
Governor's % Change from Base								

8200 - Clean Water Revolving

Balance Forward In	8,213	11,039	13,040	17,104	9,660	660	9,660	660
Transfers In	5,500		1,000					
Net Loan Activity	(2,674)	2,001	3,064	(7,444)	(9,000)	(600)	(9,000)	(600)
Balance Forward Out	11,039	13,040	17,104	9,660	660	60	660	60

8250 - Rural Finance Administration

Balance Forward In	4,917	4,185	3,434	4,914	2,554	1,916	2,554	1,916
Receipts	85	24	22	17	83	83	83	83
Transfers In		900	8,810					
Transfers Out		900	6,310					
Net Loan Activity	(1,212)	(775)	(1,042)	(2,377)	(721)	(681)	(721)	(681)
Balance Forward Out	3,790	3,434	4,914	2,554	1,916	1,318	1,916	1,318

(Dollars in Thousands)

	FY23	FY24	FY25	Biennium 2024-25
Direct				
Fund: 1000 - General				
FY2023 Appropriations	65,011	65,011	65,011	130,022
Base Adjustments				
All Other One-Time Appropriations		(3,085)	(2,219)	(5,304)
Current Law Base Change		408	158	566
Approved Transfer Between Appropriation		0	0	0
Forecast Base	65,011	62,334	62,950	125,284
Change Items				
Maintain Current Service Levels		3,411	4,644	8,055
RFA Capacity Increase		150	150	300
Meat Processing Liaison		75	75	150
MDA IT Modernization		1,200	1,200	2,400
Emerging Farmers Office Expansion		275	425	700
Food Licensing Modernization			(3,827)	(3,827)
Grain Indemnity Fund		5,000		5,000
Soil Health Equipment Grants		2,000	2,000	4,000
Increase AGRI Value-Added Entrepreneurial Support		250	250	500
Beginning Farmer Equipment and Infrastructure Grants		200	200	400
Replenish the Ag Emergency Account		1,500		1,500
Expand Minnesota Grown Program Promotion of Locally Raised and Processed Meat and Poultry		75	75	150
Expansion of AGRI Meat Processing Grants		250	250	500
Noxious Weed Grants for Local Units of Government		400	400	800
Grants for Farmers Market Hubs		350	350	700
Biofuels Infrastructure Investment		1,500	1,500	3,000
Increase Second Harvest Milk Allocation		250	250	500
Aid to County and District Agricultural Societies and Association		200	200	400
Expanded International Trade Support		150	150	300
Bioincentive Program Increased Funding		2,500	2,500	5,000
Climate Implementation Coordinator Position		150	150	300
Farm Safety, Health, and Wellness		250	250	500
The Good Acre LEAFF Program		100	100	200
Pass-Through Grants to Agricultural Organizations		401	399	800
Funding for the Pollinator Research Account		100	100	200
AgBMP Revolving Loan Program Increase		2,000	2,000	4,000
Services to Immigrant and BIPOC Producer and Food-System Businesses		250	250	500
Legalizing Adult-Use Cannabis		411	411	822
Total Governor's Recommendations	65,011	85,732	77,402	163,134
Fund: 2050 - Environment & Natural Resources				

Agriculture

Agency Change Summary

(Dollars in Thousands)

	FY23	FY24	FY25	Biennium 2024-25
FY2023 Appropriations	1,263	1,263	1,263	2,526
Base Adjustments				
One-Time Legacy Fund Appropriations		(1,263)	(1,263)	(2,526)
Forecast Base	1,263	0	0	0
Total Governor's Recommendations	1,263	0	0	0
Fund: 2301 - Arts & Cultural Heritage				
FY2023 Appropriations	400	400	400	800
Base Adjustments				
One-Time Legacy Fund Appropriations		(400)	(400)	(800)
Forecast Base	400	0	0	0
Total Governor's Recommendations	400	0	0	0
Fund: 2302 - Clean Water				
FY2023 Appropriations	10,120	10,120	10,120	20,240
Base Adjustments				
One-Time Legacy Fund Appropriations		(5,120)	(5,120)	(10,240)
All Other One-Time Appropriations		(5,000)	(5,000)	(10,000)
Forecast Base	10,120	0	0	0
Change Items				
Clean Water Legacy - Monitoring for Pesticides in Surface Water and Groundwater		350	350	700
Clean Water Legacy – Research Inventory Database		40	40	80
Clean Water Legacy – AgBMP Loan Program		3,250	3,250	6,500
Clean Water Legacy - Agricultural Research and Evaluation		750	750	1,500
Clean Water Legacy - Conservation Equipment Assistance		1,750	1,750	3,500
Clean Water Legacy – Expand Minnesota Ag Weather Station Network		1,500	1,500	3,000
Clean Water Legacy - Forever Green Initiative		3,000	3,000	6,000
Clean Water Legacy - Irrigation Water Quality Protection		150	150	300
Clean Water Legacy - Pesticide Testing of Private Wells		500	500	1,000
Clean Water Legacy - Technical Assistance		1,500	1,500	3,000
Clean Water Legacy - Minnesota Agricultural Water Quality Certification Program		3,500	3,500	7,000
Clean Water Legacy - Nitrate in Groundwater		3,000	3,000	6,000
Total Governor's Recommendations	10,120	19,290	19,290	38,580
Fund: 2801 - Remediation				
FY2023 Appropriations	399	399	399	798
Forecast Base	399	399	399	798
Total Governor's Recommendations	399	399	399	798

(Dollars in Thousands)

	FY23	FY24	FY25	Biennium 2024-25
Open				
Fund: 2801 - Remediation				
FY2023 Appropriations	2,000	2,000	2,000	4,000
Forecast Base	2,000	2,000	2,000	4,000
Total Governor's Recommendations	2,000	2,000	2,000	4,000
Dedicated				
Fund: 2000 - Restrict Misc Special Revenue				
Planned Spending	1,229	1,247	1,267	2,514
Forecast Base	1,229	1,247	1,267	2,514
Total Governor's Recommendations	1,229	1,247	1,267	2,514
Fund: 2001 - Other Misc Special Revenue				
Planned Spending	7,360	7,412	7,650	15,062
Forecast Base	7,360	7,412	7,650	15,062
Total Governor's Recommendations	7,360	7,412	7,650	15,062
Fund: 2018 - Agriculture				
Planned Spending	46,292	46,743	46,183	92,926
Forecast Base	46,292	46,743	46,183	92,926
Change Items				
MDA IT Modernization		615	615	1,230
Food Licensing Modernization			4,425	4,425
Replenish the Ag Emergency Account		1,500		1,500
Expand Minnesota Grown Program Promotion of Locally Raised and Processed Meat and Poultry		95	95	190
Plan Review Fee Modernization		89	89	178
Fertilizer Tonnage Fee Increase			750	750
Total Governor's Recommendations	46,292	49,042	52,157	101,199
Fund: 2403 - Gift				
Planned Spending	1,161	6	6	12
Forecast Base	1,161	6	6	12
Total Governor's Recommendations	1,161	6	6	12
Fund: 3000 - Federal				
Planned Spending	20,115	22,423	20,264	42,687
Forecast Base	20,115	22,423	20,264	42,687
Change Items				
Meat Processing Liaison		75	75	150

(Dollars in Thousands)

	FY23	FY24	FY25	Biennium 2024-25
Total Governor's Recommendations	20,115	22,498	20,339	42,837
Fund: 6000 - Miscellaneous Agency				
Planned Spending	2			
Forecast Base	2			
Total Governor's Recommendations	2			
Revenue Change Summary				
Dedicated				
Fund: 2000 - Restrict Misc Special Revenue				
Forecast Revenues	2,998	10,989	4,263	15,252
Total Governor's Recommendations	2,998	10,989	4,263	15,252
Fund: 2001 - Other Misc Special Revenue				
Forecast Revenues	7,270	6,914	6,624	13,538
Total Governor's Recommendations	7,270	6,914	6,624	13,538
Fund: 2018 - Agriculture				
Forecast Revenues	34,958	33,900	34,317	68,217
Change Items				
MDA IT Modernization		615	615	1,230
Food Licensing Modernization		3,827	3,827	7,654
Expand Minnesota Grown Program Promotion of Locally Raised and Processed Meat and Poultry		20	20	40
Plan Review Fee Modernization		89	89	178
Fertilizer Tonnage Fee Increase			750	750
Total Governor's Recommendations	34,958	38,451	39,618	78,069
Fund: 2403 - Gift				
Forecast Revenues	122	1	1	2
Total Governor's Recommendations	122	1	1	2
Fund: 3000 - Federal				
Forecast Revenues	20,115	22,423	20,264	42,687
Change Items				
Meat Processing Liaison		75	75	150
Total Governor's Recommendations	20,115	22,498	20,339	42,837
Fund: 8250 - Rural Finance Administration				
Forecast Revenues	17	83	83	166

(Dollars in Thousands)

	FY23	FY24	FY25	Biennium 2024-25
Total Governor's Recommendations	17	83	83	166
<i>Non-Dedicated</i>				
Fund: 1000 - General				
Forecast Revenues	4,099	4,099	4,099	8,198
Change Items				
Food Licensing Modernization		(3,827)	(3,827)	(7,654)
Total Governor's Recommendations	4,099	272	272	544
Fund: 2801 - Remediation				
Forecast Revenues	134	134	134	268
Total Governor's Recommendations	134	134	134	268

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: Maintain Current Service Levels

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	3,411	4,644	4,644	4,644
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	3,411	4,644	4,644	4,644
FTEs	20.15	23.45	23.45	23.45

Recommendation:

The Governor recommends additional funding of \$3.411 million in FY 2024 and \$4.644 million in each subsequent year from the general fund to maintain the current level of service delivery at MN Department of Agriculture (MDA).

Rationale/Background:

Each year, the cost of doing business rises—employer-paid health care contributions, FICA and Medicare, along with other salary and compensation-related costs increase. Other operating costs, like rent and lease, fuel and utilities, and IT and legal services also grow. This cost growth puts pressure on agency operating budgets that remain flat from year to year.

Agencies face challenging decisions to manage these costs within existing budgets, while maintaining the services Minnesotans expect. From year to year, agencies find ways to become more efficient with existing resources. For the MDA the following efficiencies have been implemented to help offset rising operating costs:

- Leases rate reductions
- Reducing device management costs
- Shifting cost to other appropriate use funds

However, cost growth typically outstrips efficiencies, and without additional resources added to agency budgets, service delivery erodes.

For MDA, operating cost pressures exist in multiple categories—increases in compensation and insurance costs at the agency, increasing costs to maintain our current staff compliment in a challenging labor market, and increasing IT costs. If an operational increase is not provided, the services MDA delivers to Minnesotans will be impacted. Some examples of potential impacts include:

- Reducing FTE
- Delaying projects
- Putting a strain on dedicated fee accounts
- Reducing visibility and recognition of agency services

Proposal:

The Governor recommends increasing agency operating budgets to support maintaining the delivery of current services. For MDA this funding will cover compensation, IT, grants and contracts.

Results:

This proposal is intended to allow MDA to continue to provide current levels of service and information to the public.

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: RFA Capacity Increase

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	150	150	150	150
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	150	150	150	150
FTEs	1.2	1.2	1.2	1.2

Recommendation:

The Governor recommends an annual general fund increase of \$150,000 to administer and support the various Rural Finance Authority (RFA) programs.

Rationale/Background:

The RFA administers 13 different loan programs, 1 grant program and 1 tax credit program. In FY15 the RFA processed 36 loans. As of FY19 the RFA was processing 139 loans. There was a dip in loan origination in FY20-22 due to the Coronavirus pandemic, but volume is returning in force. The loans the RFA services has tripled to over 720 loans for more than \$97 million. The RFA also processes over 1,100 tax credit applications per year.

Proposal:

This proposal adds additional resources that will reduce bottlenecks in processing and service times. This will allow for more timely approval and funding of loans the RFA provides, as well as the timely processing of tax credits and grants.

Impact on Children and Families:

This tax credit program potentially provides a pathway to farming. It can be difficult to measure the exact effect upon the lives of children outside of this potentially helping their parents provide healthy food or additional income to support their families.

Equity and Inclusion:

This program does not currently specifically target any protected group individual from Minnesota but is open to all that qualify. By doubling the incentive to sell/lease to an emerging farmer, this change is projected to have a significant positive impact to traditionally under-served groups which will enhance equity and inclusion. This program can be the difference between having the access to land or equipment in order to begin, continue, or expand small(er) scale farming. This would be viewed as a significant net positive for the people receiving loans and/or credits.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐ Yes

☒ No

Results:

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Current Value</i>	<i>Date</i>	<i>Projected Value (without)</i>	<i>Projected Value (with)</i>	<i>Date</i>
Quantity	RFA loans	72 loans for \$10.4 million	FY22	80 loans for \$11.5 million	130 loans for \$18.7 million	FY23
Quantity	Tax Credit applications	1100 applications	CY21	1100 applications	1200 applications	CY23
Quantity	Down payment grants	0	FY23	31 grants	47 grants	FY24

Statutory Change(s):

No statutory changes

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: Meat Processing Liaison

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	75	75	75	75
Revenues	0	0	0	0
Other Funds				
Expenditures	75	75	75	75
Revenues				
Net Fiscal Impact = (Expenditures – Revenues)	150	150	150	150
FTEs	1	1	1	1

Recommendation:

The Governor recommends \$75,000 in general funds to support a Meat Processing Navigator position at the Minnesota Department of Agriculture (MDA). This position would assist new and prospective meat processing plants to navigate the food safety regulatory requirements for becoming a meat processor, find available grants and potential funding sources, and work through other local processor issues, such as zoning, plumbing and other infrastructure requirements. The individual would have the tools necessary to work with diverse and limited English populations, could acquire translation services as needed, and would work to ensure resources were available in the necessary languages. These funds would support one FTE after being matched 50% by the United States Department of Agriculture's Food Safety Inspection Service (USDA FSIS) through the Minnesota Meat and Poultry Inspection Program (MN MPIP) cooperative agreement. This funding would be an approximately five percent increase to the MN MPIP General Fund appropriation (2.5 percent of total program budget).

Rationale/Background:

The shortage of local, small meat processing plants to serve rural communities has existed for many years. The COVID 19 pandemic exposed and highlighted the shortage of reliable, local processors, and reinforced the importance of these businesses to our local communities and the resilience of our food supply. Their existence is critical to the success of Minnesota livestock and poultry farmers, to our local food supply, and rural economies. Because of this, providing financial resources to support individuals that want to start new or expand a meat processing business has become a strong focus of both Federal and State grant and assistance programs.

Providing financial assistance to prospective businesses is not enough to address this situation. Many other challenges to success of small meat processing businesses have been identified, and many of these cannot be solved simply by giving businesses money. One of the challenges identified is the complexity of navigating a complicated network of local, State and Federal regulations. These regulations address many different areas, including food safety, zoning, plumbing and other infrastructure requirements. The specific requirements may even vary from county-to-county and city-to-city, and by the type of meat processing business that is desired. Because of the many different jurisdictions and areas involved, these requirements are not easily streamlined or changed, which leaves a complex web of requirements for new and existing businesses to navigate.

The MDA receives multiple inquiries from individuals interested in starting new meat processing business each week. Often these individuals start with an inquiry about a license or permit needed, and then follow with other questions about grants that are available, where to find technical assistance for writing food safety plans or how to work with their local zoning agency. Increasingly, these individuals are also from more diverse backgrounds, and may have limited English proficiency, and require more specialized attention or resources translated. This

work requires not only excellent customer service skills, but also a strong knowledge of the regulatory requirements and systems that processors need to navigate to start such businesses.

Meat inspection program staff work diligently to connect these individuals with the appropriate resources and technical expertise; however, such work can be time consuming and program staff are consistently required to balance mandatory inspection and program activities with providing guidance to individuals with inquiries and the needs of those businesses that are working toward a license or “Equal To” Grant of Inspection. The surge in meat processing businesses and interest since the pandemic began also means that the corresponding inspection demand has increased, leaving inspection staff with less time to assist new businesses. In addition, such work requires a deep knowledge of regulations, their application to the industry and how businesses work within the established systems. Inspection experience and technical knowledge is a ‘must-have’ to effectively address the questions and inquiries, and to guide a business through the entire process.

In their recent report outlining potential solutions to the meat processing bottleneck (“Solving the Meat Processing Workforce Bottleneck” https://misadocuments.info/Final_Meat_Bottleneck_Report.pdf), researchers and working group members identified a number of solutions that could be used to address some of the more commonly identified issues in the industry. The group recommended the establishment of a ‘navigator’ position within the MDA to assist small and mid-size processors in getting assistance of all sorts. This individual would be able to assist meat and poultry processors in developing food safety related plans and navigating the certification and inspection process. MDA would also be well equipped to connect potential processors to grants or financial resources that might be available and provide other kinds of technical assistance.

Because meat processors work very closely with inspection staff, and in some cases, daily, such a navigator position would advance the meat inspection program’s goals of increasing plant numbers and providing guidance and assistance that contributes to the success of the businesses under its regulatory oversight. By creating such a position to conduct the more time-consuming work involved in helping businesses navigate these requirements, inspection staff would have more time available to conduct mandatory inspections, and thus serve more meat establishments with existing funding.

Proposal:

The funding for this proposal would support one FTE that MDA would use to support new or existing meat processing businesses in their efforts to begin operations, expand or grow, or transition into other types of meat operations. This is expected to be a higher-level professional position, with an individual who has extensive knowledge of the regulatory requirements, and strong skills in networking and customer service, as well as the ability to interact well with diverse and limited English individuals.

The MDA has not previously initiated such a request; however, other local food system related organizations did propose this concept in a past legislative initiative and MDA has expressed support. Because supporting new businesses and providing technical expertise and outreach is a critical and required component of the MDA’s cooperative agreement with USDA FSIS for funding, the funds provided for this position can be matched by USDA. Such a position is a vital part of MDA’s effort to provide interested individuals with adequate time and resources, and to give them tools they can use to be successful.

Impact on Children and Families:

This proposal aligns program financial resources with the demand for outreach and consultative services needed to assist potential and existing small and local meat processing businesses on their business journey; their success is critical to the vitality of small, local and regional food systems, as well as the resiliency of the food supply from which all Minnesotans benefit.

Equity and Inclusion:

Increasingly, the MDA receives inquiries from diverse, and sometimes limited English individuals. Many meat processing businesses already under the oversight of MDA inspection programs are operated and owned by people of color, as well as from a variety of ethnicities and cultural backgrounds or protected groups; these businesses are a key part of the meat processing industry, especially as many of these communities place value on having local food sources or meat products consistent with their cultural or religious practices. This proposal would help MDA dedicate additional resources to serving these communities and addressing barriers, and especially to provide more specialized guidance to individuals of limited English skills, or with unique processes or business needs. The intended results would be more meat processing businesses owned by individuals in diverse and protected classes; this benefits those business owners, and provides employment opportunities, and safe, culturally appropriate, and accepted food choices for their communities.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐ Yes

☒ No

Results:

As noted, the Meat Inspection program provides inspection services to very small, local processors who serve livestock producers and as well as many small, ethnic and cultural markets. The program works to support these industries through providing both inspection services and outreach and support for new and existing businesses to start and grow their operations. The pandemic has had a major impact on this industry, and it continues to see growth in many areas. The MN MPIP resources need to keep pace with this growth and change. Inspection staff are asked to perform inspection and outreach activities, both of which are required to see industry growth. Performance measures for this program reflect the continued focus on supporting the industry and ensuring the program has adequate staff to meet program mandates and provide services for new and existing processors, and especially technical expertise and to conduct needed outreach work.

Program growth, inspection capacity and performance are measured by evaluating the number of processors participating in inspection programs (either “Equal to” (E2) or custom exempt) as a major reflection point. This number demonstrates both industry growth trends and the ability of MDA to service inspection needs, as lack of staffing will negatively influence plants numbers by limiting inspection or outreach capacity. Plant numbers are reviewed and reported monthly, with an overall goal to support an increase in plant numbers over time. The current trend is increasing; as of April 1, 2020, the program oversaw 279 establishments and is currently servicing 301 (as of October 1, 2022).

Table 1. Minnesota Meat and Poultry Inspection Plant Numbers (December 2020-October 2022)

Date	# of E2 Plants	# of Custom Plants	Total # of Plants
12/1/2020	53	243	296
1/1/2021	53	240	293
2/1/2021	54	239	293
3/1/2021	56	242	298
4/1/2021	56	246	302
5/1/2021	55	245	300
6/1/2021	55	243	298
7/1/2021	56	243	299
8/1/2021	55	243	298

Date	# of E2 Plants	# of Custom Plants	Total # of Plants
9/1/2021	54	244	298
10/1/2021	54	244	298
11/1/2021	56	246	302
12/1/2021	55	250	305
1/1/2022	55	251	306
2/1/2022	56	251	307
3/1/2022	55	251	306
4/1/2022	56	250	306
5/1/2022	56	250	306
6/1/2022	56	248	304
7/1/2022	56	249	305
8/1/2022	56	248	304
9/1/2022	56	246	302
10/1/2022	56	245	301

Statutory Change(s):

This proposal does not require a Statutory change.

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: MDA IT Modernization

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	1,200	1,200	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	615	615	615	615
Revenues (License Surcharge)	615	615	615	615
Net Fiscal Impact = (Expenditures – Revenues)	1,200	1,200	0	0
FTEs	2	2	2	2

Recommendation:

The Governor recommends an ongoing appropriation of \$1,200,000 from the General fund in Fiscal Years 2024 and 2025, coupled with the establishment of a Licensing and Inspection Fee surcharge to be deposited in the Agricultural Fund to generate an estimated \$615,000 per year that would be used to replace and integrate its licensing and inspection applications. These funds will support efforts to replace MDA's old and outdated systems and to integrate its systems with modern technologies that facilitate improved customer self-service options, and internal user efficiencies that allow MDA staff to provide better customer service. Specifically, funds will be used to:

- Pay for contract vendors to gather information, design system requirements, identify appropriate technology solutions, customize off the shelf applications, and deploy these solutions
- Purchase and support the cost of software licenses needed to implement new solutions
- Support the MDA staff positions needed to organize, coordinate, plan, implement and evaluate MDA information technology projects and solutions

These systems support over 45,000 annual licensing and permit transactions each year, and the inspections and other work associated with those licenses and permits. By instituting a 5% license and permit fee surcharge on these transactions an additional \$615,000 would be generated annually to supplement the general fund support. An ongoing appropriation coupled with a dedicated fee fund would provide a stable base of funding for MDA modernization projects designed to transform its service delivery process and tools.

MDA received \$1.38 million across FY 2023 and 24 to begin this work, but has no other funding dedicated to improving IT infrastructure or business technology. Current information technology projects must be supported using funding designated to programs for inspection and program and administration or on a case-by-case basis, with some programs left with little to no way to fund information technology work. This funding would also be used to support MDA staff working with MNIT as they move to use more agile project management methods, and a continuous improvement approach. This work requires partnership with MNIT State Agency staff, and as such will require MDA to invest people resources (FTE's) into ensuring information technology related projects are implemented successfully, with desired outcomes achieved.

Rationale/Background:

As a government regulatory and customer-service driven Agency, the MDA views maintaining modern adaptable, accessible, and efficient information technology systems as critical to accomplishing its missions and goals, especially as they relate to One Minnesota and MDA's strategic plan. MDA's customers and regulatory partners expect user-friendly virtual and electronic tools, equivalent in quality and function to the private sector, so that

they can engage in business transactions easily and efficiently. Having such systems is now necessary for MDA to receive payments and conduct transactions with the businesses MDA works with.

The MDA is currently facing many challenges with its technology systems, primarily related to its use of several 'legacy' systems to accomplish much of the day-to-day work that is central to its mission. These systems are based on outdated technology but are critical to our work to manage licensing, permitting, and inspection business processes. MDA's current systems are difficult for both customers and staff to utilize. For example, MDA Licensing Information System (LIS), which provides the foundational database for tracking of licenses and permits, was implemented in 2000, with only one update since. These systems are limited in their structure and capacity and are unable to support effective customer self-service approaches, such as online applications, licensing, testing and information updates. Customer information is scattered into multiple different databases and applications and fails to meet standards for consistency and accuracy.

Beyond licensing and inspections, MDA's technical environment is a stitch-work of applications and databases designed to support specific program needs. The application portfolio includes tools that have been discontinued since the early 2000's such as Foxpro and databases such as MS Access that lack modern security, identity and access control security mechanisms. Other smaller programs also use other low-cost software to manage program data due to lack of financial resources available to support information technology. These include use of Salesforce, Microsoft SharePoint, OnBase, and the creative use of other Microsoft applications to cobble together business and technology processes. These solutions, many of which are still paper based, have evolved over time separately to ensure day-to-day work can be done, and still meet the reporting requirements for grants, cooperative agreements, or stakeholder data requests, but cannot be easily integrated into Agency-wide data platforms. This stitch-work of solutions also creates data siloes that impede MDA's ability to share data between programs and connect data for single entities under one umbrella; these are capacities needed to adopt improved customer self-service approaches. MDA's multitude of applications also relegates existing IT resources to primarily keeping the lights on and lack the capacity to also work on delivering more modern customer-centric systems.

In recognition of these challenges, and the need to identify and implement solutions, MDA formed an IT Modernization Steering team in 2020. This team is working in partnership with MNIT staff to identify needs, gather information on business processes, generate solutions and implement IT related efforts to replace old applications with new applications that serve both external and internal customers more effectively. This group has worked to create a roadmap for the replacement and management of its technology and organizational systems. MDA has initiated this work with FY 23 and 24 funding by focusing its first efforts on improving MDA's data architecture and system structure as the foundation to other work that will later integrate and replace the outdated systems.

Key components of the current work include:

- Establishing a data structure that facilitates the creation and maintenance of a customer account and associated entity information that can be securely viewed by both internal and external users
- Building a customer database that serves as the foundation for a new customer relationship management system/application
- Developing and maintaining a data structure that can easily be integrated with future technology solutions for licensing, grants, payments, inspections, and other services

Upon completion of the current phase, MDA will need to move into additional phases of this project that involve adding additional features into the user portal, such as online payments and applications, as well as the ability to see inspections and other entity specific data. Projects to replace and/or integrate our licensing and inspection applications will follow once the data infrastructure has been well established and other customer service capabilities are in place. By replacing and integrating these systems MDA would be able to:

- Provide customers with more self-service options such as e-payment and e-applications;
- Create better customer access to data related to their interactions with MDA;

- Reduce redundancies in administrative procedures across the Agency; and
- Ensure transactions are more efficient and accurate.

To be successful, MDA requires both business and technical staff resources to partner with MNIT on these projects, and a consistent, sustained source of funding must be available to support these resources. None of these staff resources are currently in place. Also, MNIT has moved to a more agile, flexible project management approach called Project to Product (P2P). This approach matches well with MDA's ability and plan to move forward in smaller, more manageable, and incremental phases; however, MDA currently has no business or technical staff resources dedicated to IT Modernization efforts, nor does it have staff available to routinely coordinate and liaison with MNIT staff or external vendor partners to ensure projects are completed and accountable to original scope and intended outcomes. Software licensing fees, and consultant development fees will also be needed as MDA moves to new platforms; existing funding to support these activities and infrastructure is not available.

This work aligns well with the needs and intended outcomes identified by the Governor's Blue-Ribbon Council on Information Technology report of February 2021, and subsequent reports and activities of the Technology Advisory Council. The workgroups identified several areas of focus, including the expansion of customer self-service opportunities, the development of a plan for technology modernization, and the use of pilot projects to help agencies identify capability and resource gaps. By focusing our efforts on systems that will improve customer experiences, our Agency can better serve both our external customers, and our internal staff, as they can work more efficiently and consistently, and contribute to maintaining more accurate and secure data within our systems.

Proposal:

This proposal builds on previous work being done by MDA and MNIT to lay the foundation for modernization of MDA's agency-wide information systems. The funding requested with this proposal consists of a combination of General Fund support, and fees generated with the new license surcharge; the funding would support multi-year activities and work related to technology improvements and modernization and would provide a more sustainable funding model. Funding would specifically support the following:

- Two MDA FTE's (\$300,000) to coordinate, direct, plan and implement MDA IT Modernization activities and projects in cooperation with MNIT technical and project management staff, and outside consultants or software companies. By adding a limited number of dedicated staff, MDA will also be able to build the internal knowledge of its data structures and systems necessary to effectively plan for future efforts and contribute to modernization projects and activities aside from MNIT support.
 - One of these FTE's would be a high-level manager with authority and oversight needed to prioritize work efforts, recommend solutions, develop strategy, and manage IT related resources.
 - One FTE would act as the MDA business architect, responsible for learning and understanding the MDA business functions and processes, and then translating them into IT processes, in conjunction with technical staff working with MNIT.
 - Funding of this request would increase our work unit size from zero to two - MDA currently has no dedicated staff for IT modernization or IT project oversight. Existing efforts are being supported piecemeal by Agency indirect funds, and with staff through their program management or support roles.
 - MDA also expects to gain significant work efficiencies through this effort, and anticipates a net zero effect on FTE's, except for the two designated positions, as staff duties should change and adapt over time.
- \$915,000 per year to support new development activities, to include:
 - Projects needed to identify the specific requirements for new applications and identifying a best fit software solution

- Acquisition and maintenance of the necessary software licenses and customization for Off the Shelf Software solutions (or SaaS)
- Funding vendor supported development work to design, create and implement a new customer relationship management system
- Implementation and integration of new systems, including MNIT related charges for managing or updating data connections, data storage capacity, security requirements or other related expenses
- Replacement or integrating of licensing and inspection applications, over time, as funds are available, and solutions are identified.

While this request includes new ongoing funding and would establish a new fee, MDA views this funding as key to the future success of all its information technology and customer service-related work, and thus is necessary to maintain our Agency's current level of service as existing systems will need to be replaced regardless. Capabilities such as e-licensing, payments, and applications are an expected part of our customers' interactions with us, and thus are necessary to provide quality service to them.

This effort encompasses a series of projects that are needed to move MDA technology forward. Because requirements gathering and vendor reviews have not been completed and because "Modernization" will become a way of doing business, and applicable to many efforts, it is not possible to accurately project total costs at this time; however, based on similar projects from other Agencies, implementation of all the work described is expected to cost at least \$10 million dollars. This proposal would fund this project more slowly than if a lump sum were provided; however, this approach matches well with MNIT's change to using a more agile, continuous improvement process for information technology delivery and MDA's other available resources. The MDA project would be broken into more doable phases, each building on the previous, with the intent of reaching measurable milestones and visible improvements at each stage of the project. If sufficient funds were not available to start a new phase, MDA would simply wait until sufficient funds have been collected to support the next step or act to acquire additional funding through other means.

By establishing the licensing surcharge, the support for modernization of customer services would also fall, at least in part, to MDA customers and users of MDA systems. The following details more fully describe the intent and implementation plan for the fee:

- The surcharge would apply to all licenses, permits, registrations and certifications issued by MDA, for which a fee is charged. These are issued on an annual basis (or bi-annual).
- The surcharge would not apply to other fees paid by regulated entities, such as tonnage fees (feed), procurement fees (milk), inspection fees or other similar assessments.
- This application of a five percent surcharge would be expected to generate approximately \$615,000 per year, to be deposited into a dedicated fee account for use in MDA IT Modernization work, particularly around licensing and inspection applications.
- Transactions for licenses, permits, and other types of certifications or registrations ranged from \$10 - \$2300 between 2019-2021. This would result in a surcharge in the range of \$.50 - \$115.00.
- Many license fees, particularly those for food related businesses, are paid on a sliding scale, with businesses that generate higher amounts of revenue paying the larger fees. The surcharge would also impact businesses in the same way, with higher transaction amounts garnering larger fees. Individuals or businesses paying very small fees (\$10-\$20 range) will see very little impact on their total payment.

As noted earlier, MDA processes over 45,000 transactions for licenses, permits and other related certifications or registrations each year. This is a significant amount of work, and many of these processes still rely on paper-based systems to handling of applications, fees, and other related supporting documents. By improving these systems, MDA expects to gain significant efficiencies, improve accuracy and provide much better customer service.

Impact on Children and Families:

This proposal aligns financial resources with the needed level of services to implement program directives and missions; as such, it allows MDA to better optimize its service delivery levels which benefits all Minnesotans.

Equity and Inclusion:

By providing MDA with better resources related to information systems that serve the public, MDA can better serve all Minnesotans, and improve system design to reach individuals in protected classes more effectively. MDA customers have been involved in the creation of the MDA technology roadmap through consultation, focus groups and feedback meetings.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐ Yes

☒ No

IT Costs

Category	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Payroll						
Professional/Technical Contracts	500,000	500,000	500,000	500,000	500,000	500,000
Infrastructure						
Hardware						
Software	415,000	415,000	415,000	415,000	415,000	415,000
Training						
Enterprise Services						
Staff costs (MNIT or agency)	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000
Total	\$1,215,000	\$1,215,000	\$1,215,000	\$1,215,000	\$1,215,000	\$1,215,000
MNIT FTEs						
Agency FTEs	2	2	2	2	2	2

Results:

This initiative is designed to improve MDA's service delivery, and the functionality of systems we use to administer licensing, permitting and other transactions as well as to efficiently collect fees or conduct other financial transactions. Through MDA's modernization efforts, the Agency is identifying performance metrics to measure progress toward information technology goals. The following baseline data is currently available:

- Currently, 24 of 58 basic license types (41%) can be applied for and processed fully online. Many of these use fillable forms and are not actually processed electronically.
- Of the 58 basic license types, only 21 basic license types (36%) can be renewed online through our website.
- In calendar year 2019, approximately 41% of licensing related transactions were made using an electronic means (credit card or electronic funds transfer).

- The recent analysis of one business process (grain licensing) identified at least 10 human touchpoints and/or process steps needed to get through the 'normal' grain licensing process.

In addition to the basic license types currently listed on the MDA website, the Department has many permits, certifications and other services that are not manageable through the current entity management system (LIS) and/or the MDA website and require ancillary data management systems to administer. These details are not easily compiled, and the goal is to move these processes into the common Agency process through this technology related work.

Using this information as a basis, the MDA intends to use the following measures to assess progress toward modernization:

1. The percentage of Agency licenses, permits, or other certifications that can be applied for through using a fully electronic process
2. The percentage of Agency licenses, permits, or other financial transactions that allow payment via online or electronic payment types, both for initial licenses and renewals
3. The percentage of licenses using common process steps for application, handling, and processing
4. The average license turnaround time for representative license types

Statutory Change(s):

Authority to establish the new technology fee will be added to Ch 17.

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: Emerging Farmers Office Expansion

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	275	425	625	625
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	275	425	625	625
FTEs	2	3	4	4

Recommendation:

The Governor recommends \$275,000 from the general fund for FY24, followed by \$425,000 in FY25, and \$625,000 in FY26 and FY27 in addition to the \$150,000 currently dedicated to the Emerging Farmers Office at the Department of Agriculture. These funds will support the additional staff needed to provide services for emerging farmers throughout Minnesota specifically in the areas of grant management, oversight, coordination, communication and technical support, administration and logistics, overall office management, and \$1,000 will support the Tribal Liaison for Consultations. These positions are in addition to the existing position in the office, the Emerging Farmer Outreach & Engagement Coordinator.

This proposal connects to two additional recommendations for Beginning Farmer Equipment and Infrastructure Grants, and Services to Immigrant and BIPOC producer and food-system businesses. Staff within the Emerging Farmers Office are needed to develop and manage services identified in these recommendations.

What is the change relative to your budget as a whole?

The office currently receives \$125,000 annually for salary and expenses and \$25,000 annually for translation services. An additional \$10,000 supports the Emerging Farmers Working Group, but this funding is set to expire in 2025, per MN Statute 17.055.

The changes recommended here increase the budget for the office by \$625,000 annually, with a gradual increase over FY24 and FY25. A statutory change is recommended to eliminate the expiration for the Working Group and the associated fund listed in MN Statute 17.055.

Rationale/Background:

The Emerging Farmers Working Group was established in statute in 2020 to serve women, veterans, persons with disabilities, American Indian or Alaskan Natives, members of a community of color, young, and urban, and any other emerging farmers as determined by the commissioner. The Department stood up the Emerging Farmers Office to house and coordinate the working group, in addition to addressing recommendations in the Emerging Farmers in Minnesota 2020 legislative report. There were seventeen recommendations included, covering needed evaluation of bias and inequity in grant programs, assisting with student loans for emerging farmers, providing training and translation services, grants specific to emerging farmers, and overall strategic planning to include emerging farmers in the future of Minnesota agriculture. The Emerging Farmers Office currently has one staff member and partial administrative support. These staff coordinate the working group, ensure ongoing communication with working group members and other interested parties, and the full-time staff member spends a significant and critical amount of time engaging with different communities. This engagement work is needed to

build trust between communities and the Department, to encourage dialogue and comprehensive planning for the future. These staff also work closely with the MDA Tribal Liaison, supporting communication with MN Tribal Nations.

These engagement and coordination tasks take up more than one full-time position, leaving no additional time to address the other equally important recommendations included in the 2020 legislative report. Additional funding for staff is needed to ensure that the office provides a strategic, planned suite of services to emerging farmers.

Additional staff are needed to address, at a minimum, the following recommended areas:

- Create a one-stop shop for resources for emerging farmers, which includes training resources, grants and funding opportunities, and other materials. One model is the Starting a Food Business Roadmap, hosted by the MDA and developed in partnership with community organizations and businesses.
- Support equity and inclusivity training in farming communities to strengthen connections between current farmers and emerging farmers, and audit state programs that support farmers for equity and unintended biases and consequences of funding.
- Assess MDA's lending and grantmaking practices to evaluate equity and create specific grant opportunities for emerging farmers that assist with establishing a farm business, rather than improving or expanding an existing farm business.
- Provide trainings to farm service providers that help reduce barriers for emerging farmers, including equity and implicit bias training, and alternative models of agriculture (regenerative, direct-marketing, perennial etc.).
- Dedicate further attention to the history of land ownership and farming in Minnesota. University research on the cultural and social history of agriculture in the state would provide context for emerging farmers and the communities in which they live.
- Articulate a vision for agriculture in Minnesota that encompasses emerging farmers and small/midsize farming businesses. Work to reframe the story of farming as an opportunity for underserved communities. Market the stories of emerging farmers to show examples of how farming can be practiced.

Proposal:

This is recommended as a change to funding for an existing office to increase the level of service provided by the Department through the Emerging Farmers Office and the Tribal Liaison role. The office must be expanded to fulfill the needs of emerging farmers appropriately and successfully in Minnesota. The recommendation is to increase General Fund support to \$625,000, funding 4 additional staff members within the Emerging Farmers Office, for a total of 5 employees. This increase is recommended with staggered amounts over the next three years. The Office currently receives \$125,000 annually to support one staff member, and an additional \$25,000 annually to cover translation services. The total budget recommendation for the office is \$785,000, to continue the current funding, translation service amount, and add additional FTE funding

The recommendation is to add four additional staff to the Emerging Farmers Office. These staff will enable the office to comprehensively address the needs of emerging farmers, which currently cannot be done with one staff member. This increase in staffing will result in evaluation and analysis of current grant offerings and the development of new, more tailored programs and the ability to apply for and successfully manage Federal grant opportunities that directly impact emerging farmers. Staff focused on grant management would also oversee two new, recommended programs, the Beginning Farmer Equipment and Infrastructure Grants, and Services to Immigrant and BIPOC producer and food-system businesses. Additional staff will further support and expand engagement with emerging farmer communities to increase trust and awareness of opportunities, assist with coordinating multiple programs addressing land access concerns, and overall office management to increase efficiency and ensure customer needs are met. Staff focused on communication, logistics, and administration will support both the Emerging Farmers Office and the MDA Tribal Liaison.

Additionally, the Governor's Office recommends amending MN Statute 17.055 to eliminate the expiration date for the working group. This group is essential for long-term office success, providing direct input and a place for discussion and conversation around emerging farmer needs and programs.

This recommendation centers entirely around adding funding for staff, using the estimate of \$125,000 - \$150,000 per individual to include salary, fringe, and indirect costs, as well as cost of living increases and additional support costs such as IT and communications. Positions needed in the Emerging Farmers Office are not entry level and will require experience and advanced knowledge for success. These additional staff will allow the office to truly be an office, serving the needs of emerging farmers throughout the state. Without additional staffing, none of the recommendations stated above can be addressed. This office expansion is complementary to work seen throughout the MDA and in other agencies relating to underserved populations, and diversity, equity, and inclusion efforts. This recommendation is for a permanent funding increase out of the general fund, with an effective date of 7/1/2023. Hiring will be staggered over 2023 and 2024 to allow for thoughtful planning and development of positions, and successful hiring processes. The office is in the process of developing a workplan and long-term strategic development plan that will include metrics and key goals. These goals and metrics will be evaluated on an ongoing basis to determine success of development and implementation of this expansion.

Impact on Children and Families:

The Emerging Farmers Office supports emerging farmers, and indirectly the families supported by those farmers. Better services and opportunities for new and emerging farmers throughout the state will result in more stable farm businesses, and more stability for children and families directly related to those farmers. Additionally, more small farms throughout the state have the potential to directly increase fresh, local food consumption for all, including children and families. Lastly, increasing support for emerging farmers has a strong potential to impact generational wealth disparities, leading to more long-term stability in the overall population.

Equity and Inclusion:

This recommendation enhances an office dedicated to providing services for women, veterans, persons with disabilities, American Indian or Alaskan Natives, members of a community of color, young, and urban, and any other emerging farmers as determined by the commissioner. The Emerging Farmers Working Group has identified a significant number of steps that need to be taken to better serve these populations throughout the state, including expanded engagement, grants and funding opportunities focused specifically on emerging farmers, and evaluation of current practices and policies for bias and inequity. Additional positions within the office can address these needs directly, resulting in increased, more focused services developed through consultation and engaged discussion. The Emerging Farmers Working Group has been instrumental in providing insight and ideas for the office, clearly outlining needs and gaps. Additionally, the Department conducted listening sessions and collected ideas with an online portal this fall, resulting in 47 unique proposals directly related to emerging farmers. Additional proposals were submitted related to business development and environmental concerns that connect directly to support for emerging farmers.

Tribal Consultation:

Does this recommendation have a substantial direct effect on one or more of the Minnesota Tribal governments?

☒ Yes

☐ No

All Minnesota Tribal governments would be affected by this recommendation. Increasing staff in the Emerging Farmers Office will allow more resources and opportunities to be shared with Tribal Nations, as one of the identified groups included in the definition of emerging farmer. Additionally, staff focused on administration, communication, and technical support will work with staff in both the Emerging Farmers Office and the Tribal

Liaison. The Tribal Liaison works to ensure Consultation occurs when needed, manages a monthly collaboration meeting, and facilitates communication when needed regarding situations involving the MDA. Staff support will ensure more consistent, timely engagement, and an expanded engagement capacity with Tribal Nations. \$1,000 is requested for a tribal gift budget for Consultations, to come out of the requested amounts for payroll each fiscal year.

Results:

Part A: Performance measures

The Emerging Farmers Office has been in existence for two years to support the Emerging Farmers Working Group. The working group is required by statute, so current performance measures are tied directly to supporting and coordinating this working group. Projected performance must be connected to measures around services provided to emerging farmers, but this can only happen with additional staffing.

Current performance measures include the following:

- A process is in place to stand up the Emerging Farmers Working Group and receive, review, and accept applications for members on an ongoing basis.
- The Emerging Farmers Working Group meets on a regular basis throughout the year with a facilitator and staff from the MDA.
- Members of the group participate regularly, calling in to meetings and providing comments, questions, and concerns to the Department.
- Staff of the office conduct regular engagement with working group members and emerging farmer communities throughout the state to build relationships and gather input on agency services.

Additional staffing for the Emerging Farmers Office would allow the expansion of these performance measures to include items addressing services provided. These would include grant and funding opportunities, evaluation of current MDA programs for equity and inclusion, strategic planning for the office, and overall communication and engagement with populations throughout the state.

- Historical data for the Emerging Farmers Office:
 - Working Group meetings: 6 annually
 - Average number of members: 16
 - Average number of members attending Working Group meetings:
 - Average number of engagement meetings: 25 monthly
 - These are meetings with emerging farmer groups, organizations, and individuals

Statutory Change(s):

MN Statute 17.055 Emerging Farmers. Amend to eliminate the expiration date for the Emerging Farmers Working Group and supporting funds.

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: Food Licensing Modernization

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	0	-3827	-3827	-3827
Revenues	-3827	-3827	-3827	-3827
Other Funds				
Expenditures	0	4425	4425	4425
Revenues	3827	3827	3827	3827
Net Fiscal Impact = (Expenditures – Revenues)	0	598	598	598
FTEs	0	0	0	0

Recommendation:

The Governor recommends modernizing the food safety program funding through the following steps:

1. Establish an Agriculture Fund account to dedicate food handler license and inspection fees. Redirect non-dedicated fee revenue of \$3.827 million from the General Fund to the new Agriculture Fund account beginning FY24 and on-going; and
2. Reduce by \$3.827 million the Protection Services General Fund base appropriation in FY25 and FY26-27.

This proposal creates net loss to the General Fund of \$3.827 million in FY24 and is net neutral to the General Fund in FY25 and after.

Rationale/Background:

Food safety licensing and permitting, inspection, emergency response, enforcement, and administrative activities including data and records management, outreach and quality control functions, are operated and maintained through a combination of General Funds, federal contracts, federal cooperative agreements, and several small Agriculture Funds which include commercial canneries assessment fee ([MS 31.39](#)), non-alcoholic beverage inspection fees ([MS 34.07](#)), and food handler reinspection fees ([MS 28A.085](#)).

The Food and Feed Safety Division General Fund base appropriation is \$6.541 million annually. Annual food handler license and inspection fee revenues are approximately \$3.827 million, which are deposited to the General Fund.

The Food and Feed Safety Division operations budget is approximately 86 percent labor, with nearly three-quarters of the division's staff directly conducting and supervising inspection and enforcement activities. The remaining 14 percent of the operations budget covers many fixed costs including unemployment insurance, workers compensation, and various agency and enterprise assessments.

Food safety inspection staff are highly trained technical staff who must remain up to date in food industry practices, scientific and technical food safety knowledge, and regulatory interpretations to provide food safety services to protect public health. Historically, General Fund appropriation and biennial budgeting cycles have not allowed for program flexibility to address short and long staffing needs due to normal attrition cycle and changes in the volume of food business entities. This lack of funding flexibility has historically resulted in long term staffing budget concerns and inspection delays, reliant on appropriation change requests for resolution. The delays in

timing due to legislative processes and the biennial General Fund budget cycle has adversely impacted program capacities for service modernization and stability in long term staff planning.

Comparable industry specific food safety programs, such as commercial animal feed and dairy inspection, are operated and maintained using Agriculture Funds from license and/or inspection fees paid by the respective regulated industries. As a result, these programs have flexibility to address long term planning needs and adapt more swiftly to industry changes with direct control and management of Agriculture Funds which are not limited by biennial spending cycles.

Additionally, the food industries regulated by the food safety program staff are dynamic in nature due to business modernization and advances in food science, production methods, consumer preferences, and sales and distributions models. Examples of other food industries changes impacting program planning are licensed entity numbers, facility operation sizes, modifications to operation types and activity combinations, and business structure complexities.

Proposal:

The first phase of this proposal will establish an Agriculture Fund account to dedicate revenues generated from food handler license and inspection fees to create a program fund balance to ensure short term staff salaries are addressed.

The second phase of this proposal will reduce the General Fund Protection Services base appropriation by \$3.827 million in beginning in FY25 to offset the license and inspection fees maintained by the food safety program in the Agriculture Fund. The Agriculture Fund will absorb additional operating expenditures of \$598,000 in FY25 and FY26-27.

The on-going retained Agriculture Fund revenues will allow the Food and Feed Safety Division greater flexibility in food safety program funding beyond the biennial cycle to proactively address short and long-term staff planning, and subsequently provide stability to inspection program services through more responsive, longer-term administrative planning. This will also increase both resiliency and responsiveness to changes in the volume of the regulated businesses and complexities of facility inspections through retention of program fee revenues.

Impact on Children and Families:

No direct impacts expected.

Equity and Inclusion:

While this proposal does not have direct impacts on equity and inclusion, the funding for broad stakeholder assessment would include traditionally underserved communities, consumers seeking increased access to culturally diverse foods, and farmers or other businesses seeking to provide those food types. This is intended to positively benefit both consumers and businesses through the development of future licensing models with address their unique needs, and subsequently reducing barriers to access for safe foods.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐ Yes

☒ No

While this proposal does not have direct impact on tribes, the funding for broad stakeholder input would include Minnesota Tribal governments. Licensing jurisdiction for food operators as it relates to Tribal sovereignty is currently being clarified with the Attorney General and through the Tribal consultation process. These discussions

are expected to guide further needs for input to inform the recommendations development as part of this proposal.

IT Costs

None identified

Results:

Please contact the Results Team at MMB (ResultsManagement@state.mn.us) if you have any questions about this section.

Current food safety program measures

The Manufactured Food Regulatory Program Standards and Voluntary National Retail Food Regulatory Program Standards are a critical component in increasing capacity and capabilities of state regulatory programs to support the national Integrated Food Safety System (IFSS). The goal of the MFRPS and VNRFRPS is to implement a nationally integrated, risk-based, food safety system focused on protecting public health. The ten standards for regulatory programs provide a roadmap for effective program management and are based on a continuous, quality management systems approach to regulatory food safety programs.

The Retail Food Program has achieved and maintained conformance with 8 of the 9 applicable program standards, as demonstrated through successful program audits by independent, qualified regulatory agencies. The program is expected to reach full conformance with all 9 Retail standards by FY24, with audits conducted per standard every three years by qualifying independent regulatory agency representatives.

The Manufactured Food Program has achieved and maintained conformance with 10 out of 10 applicable program standards, as demonstrated through successful program audit by the US Food and Drug Administration. The Manufactured Food Programs would be expected to continue to maintain conformance with the national MFRPS, as demonstrated through FDA audits on a three-year cycle.

Produce specific regulatory program standards are currently under development through Cooperative Agreement Program with the Food and Drug Administration. The Produce Safety Program is designed based on existing food safety regulatory program standards. The Produce Safety Program would be expected to fully comply with applicable regulatory program standards within 3 years of the publication of an applicable program standard.

Retail Food Inspection: Inspection Rates

The Retail Food Program is responsible for inspecting and licensing all retail food handlers in Minnesota and consists of 24 field inspectors, five plan review staff, five supervisors, and one program manager. There are approximately 5,900 retail food facilities and 1,000 retail mobile food licenses in the state. Retail facilities are classified according to food safety risk based on food handling activities. Retail facilities are inspected at different frequencies based on their specific risk classification.

The Retail Food Program has steadily increased the rate of inspections conducted according to the risk-based schedule as a result of added staff that were hired within the last seven years. The inspections include a review of food handling practices and sanitary conditions necessary to meet the requirements of the Minnesota Food Code. These inspections are essential to protect public health and serve to inform retail food handlers when food handling practices require changes to prevent foodborne illness. Quality metrics based on input from inspection specific surveys of regulated operations are currently under development.

Table 1: Number of Retail Food Inspections Conducted by Fiscal Year

Fiscal Year	2016	2017	2018	2019	2020	2021	2022
Inspection Count	2,365	3,388	5,252	3,931	3,780	5,799	5,086

Manufactured Food Inspection: Inspection Rates

The Manufactured Food Program is responsible for inspecting and licensing all wholesale food processors and distributors in Minnesota and consists of 15 field inspectors, two supervisors, one quality administrator, and one program manager. There are approximately 1,070 food processors and 720 food distributors in the state. Wholesale facilities are classified according to food safety risk based on food handling activities. Wholesale facilities are then inspected at different frequencies based on their specific risk classification and compliance history.

The Manufactured Food Program has significantly increased the rate of inspections conducted according to the risk-based schedule for the past three years. This change has been a result of program level annualized work planning and monitoring improvements. The inspections include a review of food handling practices and sanitary conditions necessary to meet the requirements of the federal Food Safety Modernization Act Preventive Controls and Current Good Manufacturing Practices regulations. These inspections are essential to protect public health and serve to inform food handlers when food handling practices require changes to prevent foodborne illness.

Table 2: Percentage of Facilities Inspected by Established Risk Frequency

Inspection Type	6/30/2019	6/30/2020	6/30/2021	6/30/22
Distributor	81.35%	65.28%	76.86%	82.73%
Food Processor	57.83%	61.86%	67.31%	85.81%

Produce Safety Program: Response Activities

The Produce Safety Program is responsible for maintaining an inventory of produce farms in Minnesota and conducting inspections according to MN Food Law and the federal Produce Safety Rule. The majority of program activities are currently funded through Cooperative Agreement Program from the Food and Drug Administration. Current Protection Services activities include response and food safety assessment for food crops impacted by pesticide drift and misuse. The capabilities of this response program have been increasing, with the number of cases supported increasing from 10 and 11 in calendar years 2019 and 2020 respectively, to 24 in calendar year 2021 and 29 to date in calendar year 2022. The number of days for food safety assessment determination and communications to food producers are relevant metric which has been identified for data collection and assessment in FY23-24.

Statutory Change(s):

MS 28A.08 – amended to read

Subd. 4. Food handler license account; appropriation.

A food handler license account is established in the agricultural fund. Money in the account, including interest, is appropriated to the commissioner for expenses relating to licensing and inspecting food handlers under chapters 28 to 34A or rules adopted under one of those chapters.

MS 28A.09 – amended to read

Subd. 3. Vending machine inspection account; appropriation.

A vending machine inspection account is established in the agricultural fund. Money in the account, including interest, is appropriated to the commissioner for expenses relating to identifying and inspecting food vending machines under chapters 28 to 34A or rules adopted under one of those chapters.

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: Grain Indemnity Fund

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	5,000	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	5,000	0	0	0
FTEs	0	0	0	0

Recommendation:

The Governor recommends a one-time \$5 million appropriation from the General Fund to establish a grain indemnity fund that will protect producers who have unpaid grain sales when grain buyers or warehouses become financially insolvent. We are requesting a one-time investment from the state to establish the fund which will then be replenished through fees associated either with sales of grain or in lieu of current bonding costs.

Currently, the only protection that producers have when an elevator fails is the bond held by the elevator, and potentially some portion of any grain held. The maximum bond required in Minnesota is \$150,000. Past bond claims filed by producers have allowed them to recoup only 8%, 11% and 17% of their losses from unpaid grain.

Rationale/Background:

The grain licensing program issues grain buying and grain storage licenses to entities in Minnesota and neighboring states that buy or store Minnesota Grain. Licenses issued are contingent on the applicant holding a bond to protect sellers or those storing grain in the event of non-payment. Currently there are 310 such entities who hold licenses issued by the State of MN. Those licenses cover \$16+ billion of grain purchases annually. Registered with the program are 213 locations storing grain with the capacity to store 307+ million bushels of grain. Available to growers in the event of nonpayment is a total of \$51 million in bond coverage, a drastically small number compared to the amount of grain purchased annually. Additionally, the \$51 million is not available to the growers equally in the event of nonpayment, but rather each entity that is buying or storing grain holds a bond, and only that bond covers the grain purchased or stored by that business. This limits the amount of money available to growers and in most cases is split amongst several growers for a pro rata share. Since 2011 twelve separate bond claims have been executed. Ranging from total claims of as little as \$6,000 to more than \$5.5 million for a total of \$13 million. In most cases the bond did not cover all of what was lost by producers. While bonding grain entities has been the practice for years, given the increasing costs of commodities and the scale of failures an indemnity fund is increasingly appealing, additionally it follows the path that other grain producing states have taken to protect their growers.

Recent Failures:

Porter Elevator and North Country Seed both had bond claims in 2015, the result of the claims was an 11% and an 8 % payout respectively. This resulted in \$2.87 million dollars that was not paid to claimants, and only \$250,000 that was. These claims could have been covered by an indemnity fund and while some voluntary extension of credit contracts was included, an indemnity fund would have covered a significantly larger portion than the \$250,000 that was paid by the bonds.

In 2018 Ashby received a great deal of attention, due in large part to the fraud and impact to the community. The program received over \$2.4 million in claims, with \$723k considered valid, the bond covered \$125,000 of those

valid claims for a 17% coverage. An indemnity fund would have certainly covered the remaining 83% of the valid claims. Many of the claims that were denied were due to producer thinking they had grain balances with the elevator that were established years ago. The bond only allows for those to file a claim within 180 days of the breach of contract, and these claims fell outside that window.

More recently Pipeline Foods was a total closure in 2021. Pipeline Foods held several buy and store licenses with the MDA, however due to the bankruptcy the MDA had no claim to the sale of the grain on hand at the time of closure. The program has received \$5.5 million in claims from 31 claimants, while only having a \$500,000 bond on hand. The payment to producers impacted by this closure has been delayed significantly due to the bankruptcy, court hearings and all requests going through the bankruptcy trustee. This delay has meant that a normal investigation timeline has extended far beyond what is intended and has been ongoing for over one year. Pipeline foods operated in several other states and those states with Indemnity Funds have already paid their claimants minimizing the already extreme financial impact the bankruptcy has had on farmers in the region.

Proposal:

An indemnity fund is a reserve of money held by a third party that is available to sellers or depositors in the event of nonpayment for specific types of produce or commodities. Indemnity funds typically range from 4 million to 10 million dollars and have a maximum value and minimum value. The largest indemnity fund is \$35 million and is managed by the state of Indiana, which many consider to be a model for indemnity funds. In the event that the fund dips below the minimum value then, depending on the terms, funds are raised through a small payment per transaction until the maximum value of the fund has been reached. Often times a limit is set for the amount of payout each individual can receive for one failure.

States with Indemnity Funds include Wisconsin, North Dakota, Iowa, Washington, Idaho, Illinois, Indiana, Michigan, Ohio, Kentucky, Tennessee, New York, South Carolina, Louisiana and Oklahoma.

Risks: The most obvious risk to an indemnity fund is that multiple failures happen and the fund is depleted. Some states have taken the approach of capping the dollar value for claims, others have said that those who are not paid will be paid once the fund has the available balance. In a catastrophic event of multiple claims of millions of dollars this could take years for the fund to back up to a maximum value.

Additionally, several states have struggled with having a state-run fund that cannot be touched in years of economic struggles by the government. Michigan went so far as to have the fund managed by an external party so that the fund did not appear on any state register as being available funds.

The establishment of an indemnity fund could put the state in the position of going after facilities that have had claims filed against them to recoup costs. In the event of a bankruptcy this can take months to years and requires a significant investment in legal aid. Michigan, and some other states made this easier by changing the laws regarding liens on the sale of grain.

Finally, building the fund up to what would be considered a functional amount will take time and likely need a transition plan. Some states choose to use bonds and the indemnity fund at the same time to create an extra level of protection, this could be an option while the fund is being built up. Otherwise, there could be a period of time where the fund is too low and would have to pay out once the money is available, putting the state in the potential position of owing money to growers out of the fund before it is even available.

Options for funding: Using some guidelines and limits set by other states a reasonable maximum value for the indemnity fund would be \$10 million, or ~0.01% of the total purchases in Minnesota. If the state can afford the initial cost of establishing the fund, it will provide an opportunity to implement a mechanism for ongoing financial support gradually. If the indemnity fund operates as in other states, collection for the fund can be “turned off” when it is fully funded and only “turned on” when funds need to be collected.

We propose one of two methods to sustain the fund going forward.

1) Sales Paid Indemnity Fund

This method of funding would tie the fund directly to the dollar value of what is sold and stored. The rate would be established based on bushel sold or stored and once the indemnity fund reached a \$10MM the collection of the fee would cease. In execution it would be much like a checkoff, which MDA marketing helps to run for some agricultural programs and could provide guidance on the implementation and execution of a new program. In order to collect \$3 million annually the fee per dollar of grain purchased and stored would be roughly \$0.00021. This would likely be paid by the grower, as elevators are likely to push that cost onto them.

Pros: Directly correlated to dollars on the line, those who pay are protected, Easier to predict fund value, likely supported by elevators as it removes bonding requirements, creates an option where growers can opt out.

Cons: Would be a big change to process, cuts into growers' bottom line, likely to be opposed by growers' groups, fund generation would fluctuate with commodity prices, those selling large amounts may opt out, may see large facilities who are less likely to default have more opt out participants, no risk to the elevators.

2) Bonding dollars "re-assigned"

Keep the costs with the buyers and run similarly to a bond but managed by the state. Annually the cost to maintain a bond is roughly 1-3% of the value of the bond. This is a fee each seller must pay annually, so in theory the elevators would pay less over the long term. A facility paying \$3,000 annually for their bond over 10 years will pay \$30,000. However, common practice is to set a maximum value for the indemnity fund and once reached collections for payments it will stop. This can result in elevators paying in little to nothing once the max has been reached and until there is another claim. The opposition to this proposal would be that the larger elevators could shoulder a larger financial burden than the smaller elevators who may be more likely to fail. The current bonds in Minnesota total \$51 million, in order to achieve the generation of \$3 million annually we would ask the facilities to forego the bonds and pay a fee to the state of 5.88% of their current bond, which is more than their current rate, but could be sold as a long-term investment, as they may not pay in every year. This could be adjusted too to be based on annual purchases and storage liability rather than the bond they currently hold.

Pros: Little change to current system in terms of cost to license holders, could result in lower cost to elevators over time, Producers protected but at no direct cost to them, changes are simpler to implement for elevators, would be easier to execute for all parties over bonds.

Cons: no known opinion in industry on this proposal, likely to increase the amount paid by elevators in short term, MGFA likely opposed, if no caps large facilities pay the bulk.

Impact on Children and Families:

This proposal does not have an impact in this area.

Equity and Inclusion:

This proposal does not have an impact in this area.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐ Yes

☒ No

IT Costs

This proposal does not have an impact in this area.

Results:

Part A: Performance measures

During the past 5 years, only 11% of the total amount filed on valid bond claims has been paid out to producers (Figure 1). This is because of the small size of bonds relative to the value of grain purchased (Figure 2). Under an indemnity fund, this figure should approach nearly 100% payment of valid claims for unpaid grain sales.

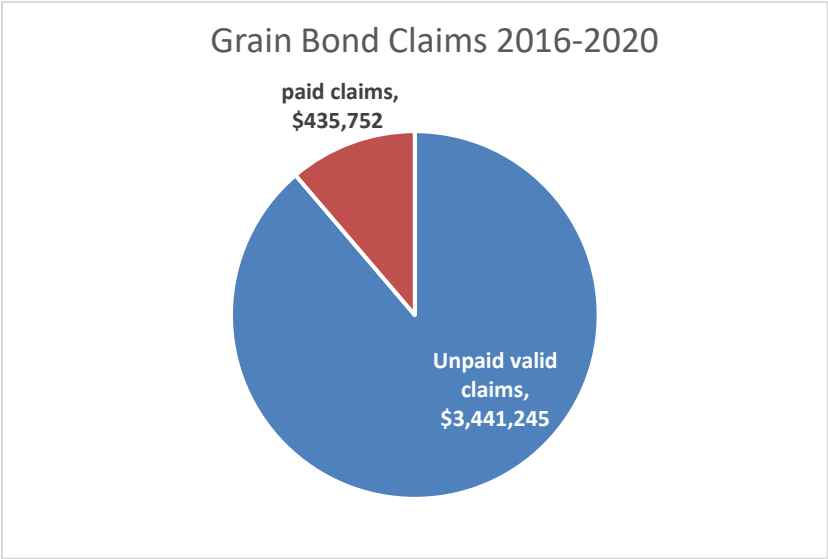


Figure 1. Value of bond claims paid and unpaid valid claims.

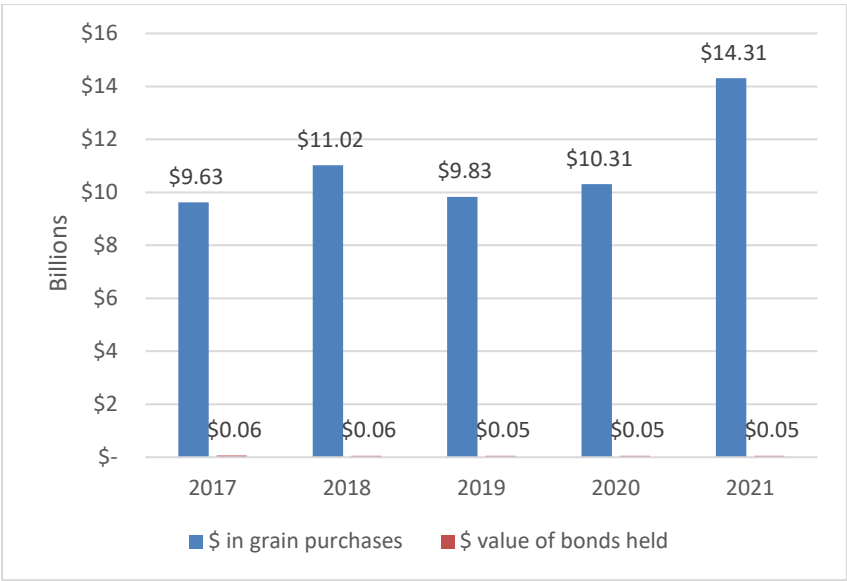


Figure 2. Value of grain purchased annually in Minnesota and value of bonds held.

Statutory Change(s):

Chapters 223 and 232

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: Soil Health Equipment Grants

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	2,000	2,000	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	2,000	2,000	0	0
FTEs	1.25	1.25		

Recommendation:

The Governor recommends a FY2024-25 General Fund appropriation of \$4,000,000 to fund soil health equipment grants in the piloted Soil Health Financial Assistance Program.

The Soil Health Financial Assistance Program (SHFAP) has been piloted to support and meet a Healthy Soil Management Plan for the state of Minnesota through the voluntary implementation of soil health management. Individual farmers, agricultural trade and member organizations, conservation interests, and prominent food-system corporations all have specified a primary obstacle to soil health implementation is access to financial support for specialized equipment and machinery necessary for successful and efficient adoption of soil health practices. Soil health means the overall composition of the soil, including the amount of organic matter stored in the soil, and the continued capacity of soil to function as a vital living ecosystem that sustains plants, animals, and humans.

This recommendation is to support the need and demand for equipment grants beyond the \$500,000 appropriation to pilot the SHFAP would equate to approximately 5 percent of the Minnesota Department of Agriculture's (MDA) annual budget.

Rationale/Background:

Healthy soil is fundamental to the economic and environmental sustainability of Minnesota's agricultural lands and industry. This is recognized and formally established in the State of Minnesota's planning and policies. The State Water Plan (<https://www.leg.mn.gov/docs/2020/mandated/200899.pdf>) sets Soil Health as the Goal 2. Strategy 1. priority, further stating:

Healthy soil provides many benefits:

- It contains organic matter that retains water, reducing runoff and the need for structural water storage.
- It increases the availability of water to plants, which can increase yield and improve resilience to dry spells, reduce the need for supplemental irrigation, reduce the speed and volume of runoff, and reduce nutrient losses into surface water and groundwater.
- It can store large amounts of carbon, which means that soil health improvements have great potential to reduce greenhouse gas emissions across Minnesota's 20 million acres of cropland.

In addition, the State Water Plan Goal 2 Action 1.4 specifically states:

Invest in regional equipment purchasing and sharing programs for agricultural cooperatives or SWCDs to reduce the burden of investing in cover crop and perennial/small grain planting and harvesting equipment.

The Minnesota Nutrient Reduction Strategy (<https://www.pca.state.mn.us/sites/default/files/wq-s1-80.pdf>) also names Soil Health as a designated strategy, stating in part that:

Improved soil health will sustain soil productivity for future generations, absorb and hold rainwater for use during drier periods, filter and buffer nutrients and sediment from leaving the fields, increase crop productivity, and minimize the impacts that severe weather conditions can have on food production and environmental quality. Thus the benefits of making widespread changes to cropland management, as outlined in this strategy, extend beyond water quality improvement, and include protecting our soil productivity for future generations.

Minnesota's Climate Action Framework (<https://climate.state.mn.us/sites/climate-action/files/Climate%20Action%20Framework.pdf>) additionally cites soil health in Goal 2 as a priority initiative:

Healthy Farmland

Accelerate soil health and nitrogen and manure management practices that reduce emissions and enhance carbon storage, water quality, and habitat.

Individual farmers, agricultural trade and member organizations, conservation interests, and prominent food-system corporations all seek greater emphasis on soil health. Those groups have specifically identified access to specialized equipment and machinery necessary for successful and efficient adoption of soil health practices as a barrier to greater expansion of soil health in Minnesota. This equipment grant funding will directly address this central obstacle to achieving the recommended strategies and desired goals for Minnesota agriculture, and will provide the basic means for securing healthy soil to sustain our State's economy and environment.

Proposal:

The SHFAP was established as a pilot project at the Minnesota Department of Agriculture beginning FY23 with a \$500,000 general fund appropriation with spending authority expiring 6-30-24. This new soil health equipment grant funding recommendation will function with existing FTEs. This recommendation includes the ability to apply direct costs for administration of the program not to exceed 6.5% of total appropriation.

Examples of soil health equipment grant funding may include:

- purchase of new or used equipment
- purchases of parts and materials to modify equipment
- other equipment purchases or financial assistance deemed appropriate by the Commissioner to fulfill the intent of statute

Eligible parties may include any owner or lessee of farmland, local government units, including cities, towns, counties, soil and water conservation districts, Tribal nations, and joint powers boards. Grant applicants may apply to share equipment purchased with grant funding. Applicants for equipment purchase grants issued under this grant program may be farm or ranch operations coordinating as individual businesses or as formal cooperative ventures serving farm or ranch operations. A local government unit that receives a grant for equipment or technology must make those purchases available for use by the public.

The grant program may prioritize or weight proposals based on consideration that applications:

- Support a soil health principle or principles.

- Quantify number of acres of soil health management.
- Support a Minnesota Agricultural Water Quality Certification Program (MAWQCP) certified farm, or a farm seeking MAWQCP certification, or support a USDA Resource Management Plan.
- Reduce or avoid greenhouse gas (GHG) emissions.
- Support other complimentary public or private programs or initiatives as determined by the Commissioner, including programs and projects of the Board of Water and Soil Resources, the Natural Resources Conservation Service, and others; or support other priorities.

This recommendation will directly act upon the identified challenges to expanding soil health efforts in Minnesota and will further the specified goals and strategies contained in the State's water plan, nutrient reduction strategy, emission reduction targets, Climate Action Framework, and other established objectives. Further, the proposal and grants are coordinated among partner agency efforts on soil health, particularly the Board of Water and Soil Resources and the federal Natural Resources Conservation Service. The improved productivity and resiliency rewards from increasing soil health will also further the economic performance of individual farms, the broader agricultural and associated industries, and ultimately the availability and reliability of food access for consumers.

Impact on Children and Families:

This recommendation directly serves the purposes of the Minnesota state water plan, nutrient reduction strategy, Climate Action Framework, the statutory GHG emission reduction targets of the 2007 Next Generation Energy Act, and other economic and environmental objectives of the State. In so doing the program will further protections of drinking water supplies and other water quality goals, resiliency to climate-derived challenges to food production and availability, and other benefits relative to fundamental needs of Minnesota children and families.

Equity and Inclusion:

The MDA does not believe this proposal will adversely impact people of color, Native Americans, people with disabilities, people in the LGBTQ community, other protected classes, or veterans. Further, the Minnesota Climate Action Framework that informs this project includes equity and inclusion considerations which will be adopted here as applicable.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐ Yes

☒ No

Results:

The SHFAP equipment grant funding includes performance measurement and reporting requirements, with the commitment for an initial report due January 1, 2024 and every two years thereafter. The MDA shall report to the legislature and the governor on the performance of the program, including:

- List of projects by year.
- List of acres impacted by year.
- List of grant funds awarded by year.
- List of funds leveraged, including any federal or other state financial resources, private participant contributions and cost share matching, landowner contributions, and other sources.
- Calculated outcomes, including means of calculation, by year for:
 - GHG emissions reduced by projects.
 - Carbon-equivalencies sequestered by projects.
 - Practice-based estimates for reductions in soil loss, nutrient loss, sediment delivery, and other indicators as available.

Type of Measure	Name of Measure	Current Value	Date	Projected Value (without)	Projected Value (with)	Date
Quantity	Number of new acres managed under soil health principles, and cumulative outcomes (reductions in GHG emissions, soil loss, nutrient loss, and sediment; increase in soil organic matter and carbon sequestered).	N/A (new project, no grants have yet been awarded)	10-3-22	Anticipated range for acres managed under \$500K total of equipment grants is 500 to 2,000 acres per grant.	Anticipated range for acres managed under \$2 million annual award will be 4 times greater on annual basis.	1-1-24
Quality	Total grants successfully issued and properly completed in supporting the structure and goals of the Healthy Soil Management Plan (scheduled to be completed in 2024).	N/A (new project, no grants have yet been awarded)	10-3-22	Maximum of <\$500,000 in total grant awards	Maximum of <\$2 million total grant awards annually.	1-1-24
Results	Biennial report (originating with January 1, 2024 release)	N/A (new project, no grants have yet been awarded)	10-3-22	Report due 1-1-24	Report due 1-1-24	1-1-24

Statutory Change(s):

No statutory change is required.

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: Increase AGRI Value-Added Entrepreneurial Support

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	250	250	250	250
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	250	250	250	250
FTEs	.15	.15	.15	.15

Recommendation:

The Governor recommends an additional \$250,000 base appropriation beginning in FY 2024 to expand the Agricultural Growth, Research, and Innovation (AGRI) program, focusing on two key areas of entrepreneurial support:

1. Grants for co-packing, cold storage and commercial kitchens;
2. Expanded investment in the New Markets Cost-Share Program, focusing on food safety and environmental sustainability

This results in a 1.42% increase to AGRI's FY 2024-2025 base appropriation of \$35.106 million.

The MDA will use no more than 6.5% of this appropriation for administration of the financial assistance and outreach to the industry.

Rationale/Background:

Preliminary research backed by MDA and the Ag Utilization Research Institute indicates that growth in the Minnesota food and beverage manufacturing sector yields the highest overall returns of any industry in the state, with a 5% gain in manufacturing output yielding over \$11 billion in impact to the state's GDP.

A more local, diversified food supply chain can support economic development and community resiliency. Food business development and a more resilient Minnesota food system relies on support to entrepreneurs, support for food safety, and a strong copacking, commercial kitchen, and cold/frozen storage segment.

Copackers who work with small makers are essential to support retail-focused food company business development. Community kitchens and restaurants are key to providing local opportunities for entrepreneurs to innovate and launch new foodservice businesses. Leveraging local assets will provide a space for BIPOC and other underserved groups to develop their businesses and could also provide an additional revenue stream for restaurants and chefs.

The MDA has established a constituency of small-medium-sized food companies and farms that offer value-added products, supporting the segment with innovative cost-share programs and other popular marketing services. Despite listing more than 50 copackers on MDA's website directory, small food and beverage makers often report difficulty finding manufacturing partners in Minnesota. This often results in food makers partnering with copackers outside of Minnesota, resulting in lost economic development, inefficiencies, and less resiliency.

As we expand the pool of food entrepreneurs, food safety is critical. Our New Markets Cost-Share Program supports marketing efforts but doesn't have the resources to serve the demand for food safety and environmental sustainability guideline planning.

Proposal:

This recommendation would establish a new competitive grant program designed to support manufacturers who offer copacking or manage commercial kitchens and other key supply chain infrastructure, such as shared cold-chain capacity.

It will expand the New Markets Cost-Share Program, which currently supports Minnesota food, beverage, or pet food companies through a variety of high-impact marketing activities. Support will include food safety and environmental sustainability guideline planning and consultant services.

Impact on Children and Families:

The MDA does not anticipate this proposal having a direct impact on children and families.

Equity and Inclusion:

The MDA's New Markets Program has a history of working with underserved communities. For example, 67% of MDA's cost-share program participants in FY 2021 self-reported as either woman-owned, Hispanic/Latino/Latina-owned, African American-owned, Native American-owned, or veteran-owned.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐ Yes

☒ No

Results:

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Current Value</i>	<i>Date</i>	<i>Projected Value (without)</i>	<i>Projected Value (with)</i>	<i>Date</i>
Quantity	Number of copacker and commercial kitchen grants	0	FY 2022	0	3-5	FY 2024
Quantity	Number of New Markets food safety and sustainability cost-share	0	FY 2022	0	10	FY 2024

Statutory Change(s):

No statutory changes will be needed.

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: Beginning Farmer Equipment and Infrastructure Grants

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	200	200	200	200
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	200	200	200	200
FTEs	0.5	0.5	0.5	0.5

Recommendation:

The Governor recommends \$400,000 from the General Fund to support a grant program specifically for new and emerging farmers to increase market access and sales. This is part of the Department's Value-Added Grant Program. The funds will be used for grants to individuals and operating costs, including engagement and outreach work associated with grant program development, execution, and administration.

Rationale/Background:

Incubator farms and new farms face specific, and often costly, equipment needs to increase production capacity, take on new customers, and grow their businesses. The Value-Added Grant Program offered by the Department has traditionally been available to meet the needs of farmers looking to expand, but new and emerging farmers cannot afford the match requirement and require smaller amounts of funding per applicant. This new grant program would be modeled after the Value-Added Grant Program but will be specific to new and emerging farmers to increase market access and sales. The program will include a lower match requirement and lower maximum award and will be administered by the Emerging Farmers Office. This grant program recommendation builds on the State's commitment for supporting Emerging Farmers and building a more equitable food and agricultural system.

Proposal:

This is a new grant program designed to provide services out of the Emerging Farmers Office. The current grant programs offered by the Department are not specific to new and emerging farmers and are also not designed for these populations. This grant program would be designed for and by new and emerging farmers to ensure their needs are met by the Department.

This grant program will provide funds to farmers with a small match requirement. These funds may be used for equipment and infrastructure development and would be available to farms throughout Minnesota. Funding is recommended for 0.5 FTE to develop, coordinate, and administer this grant program out of the Emerging Farmers Office. The office cannot take on grant development and coordination without additional staff capacity. The funds recommended for other operating costs are needed to ensure engagement occurs during grant development and administration. Direct contact with organizations, social media work and communication, listening sessions and more is needed to ensure the grant serves the needs of new and emerging farmers.

The current Value-Added Grant Program requires a 75% match in funds that is not possible for many new and emerging farmers. This grant program would require a much lower match and would award smaller grants (the Value-Added Grant Program awards up to \$150,000 per applicant). The smaller amount per awardee would

compensate for the smaller match amount required. The lower match will make this grant more accessible, allowing more new and emerging farmers access to funds that can help support business development. Metrics will be kept on the number of applicants and their experience with the grant process from start to finish. These metrics will be used to evaluate the success of the program.

Impact on Children and Families:

Better services and opportunities for new and emerging farmers throughout the state will result in more stable farm businesses, and more stability for children and families directly related to those farmers. Additionally, more small farms throughout the state have the potential to directly increase fresh, local food consumption for all, including children and families. Lastly, increasing support for emerging farmers has a strong potential to impact generational wealth disparities, leading to more long-term stability in the overall population.

Equity and Inclusion:

This proposed grant program directly impacts existing inequities in grant opportunities for farmers. By focusing the grant program on new and emerging farmers, changing the matching funds requirement, and realigning the award amounts this program will provide new, more accessible funding opportunities specifically for people of color, Native Americans, people with disabilities, people in the LGBTQ community, other protected classes, or Veterans. Infrastructure development and equipment costs are two of the biggest barriers to farm business expansion, and both would fall within the allowable costs for this grant program. The Department conducted listening sessions and collected ideas with an online portal this fall, resulting in 47 unique proposals directly related to emerging farmers. Additional proposals were submitted related to business development and environmental concerns that connect directly to support for emerging farmers. Several of these proposals centered around grant opportunities for new and emerging farmers, especially those that could be used for equipment and physical infrastructure development.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

- ☒ Yes
- ☐ No

All Minnesota Tribal governments would be affected by this proposal. Indigenous farmers would be eligible and prioritized for grant funding through this program, increasing support for farmers belonging to Tribal Nations in Minnesota.

IT Costs

Please complete the table below to indicate costs for FY 2024-29. Specify the purposes of the funding proposal, such as infrastructure, hardware, software, or training. If staff are associated with this recommendation, specify the number of FTEs that are MNIT employees (i.e., MNIT@agency) and agency employees. For proposals with significant IT investment, please also complete the IT addendum below.

Category	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Payroll	0	0	0	0	0	0
Professional/Technical Contracts	0	0	0	0	0	0
Infrastructure	0	0	0	0	0	0
Hardware	0	0	0	0	0	0
Software	0	0	0	0	0	0
Training	0	0	0	0	0	0
Enterprise Services	0	0	0	0	0	0
Staff costs (MNIT or agency)	0	0	0	0	0	0
Total	0	0	0	0	0	0
MNIT FTEs	0	0	0	0	0	0
Agency FTEs	0	0	0	0	0	0

Results:

Performance measures

Performance measures for this grant program will center around accessibility, engagement, and community impact. Examples of possible measures include the following:

- How many grants were issued each year of the program?
- How many applications were received each year?
- What is the overall funding rate for applicants to this program?
- How does this rate compare to comparable Department grant programs, such as the Value-Added Grant Program?
- For engagement activities specifically related to grant development, how much input was received? How many people attended?
- Do the demographics of grant awards indicate target populations are being served by this grant?
- What do follow-up conversations and data collection efforts with awardees show in terms of business development and change over time?
- How many new relationships were established by the awardee of this grant to market their products, specifically related to their business expansion?

Data will be collected through a variety of methods including listening sessions, surveys, application data, targeted conversations with grantees, and facilitated conversations. Data will be communicated to awardees and interested parties online, via regular electronic updates, and in-community communications channels.

Statutory Change(s):

None

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: Replenish the Ag Emergency Account

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	1,500	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	1,500	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	1,500	0	0	0
FTEs	0	0	0	0

Recommendation:

The Governor recommends \$1.5 million from the General Fund to replenish the Ag Emergency Account to minimize response delays. This appropriation will be transferred to the Ag Fund account to be used for any agricultural emergencies as authorized by the Commissioner under MN Statute 17.041.

Rationale/Background:

Since inception in 2016, the Ag Emergency Account has been a reliable source of funding for agricultural responses. The MDA has used these funds to respond to animal disease outbreaks and supply chain disruption emergencies. Even when federal funds are available, they are through reimbursement programs so the state must be ready to cover contracting, equipment, supplies, payroll, and travel costs in advance.

Replenishing the Ag Emergency Account will allow the Department to take the lead on ag emergency response when legislature is not in session by holding the funds until needed for a response. The immediate availability of funds is essential to rapid deployment of an incident management team. It allows the flexibility to use on methods and materials appropriate to any type of agricultural emergency. Additionally, it covers the gap between necessary goods and services that are not allowed under a federal cooperative agreement.

As the effects of climate change become more frequent and pronounced, the expectation is that agricultural emergencies will also increase in size and scope. A fully funded Ag Emergency Account will ensure that the citizens of Minnesota see active responses that are efficient and effective over all ag sectors and in every county.

Proposal:

The Ag Emergency Account was established in 2016 in response to an outbreak of Highly Pathogenic Avian Influenza the previous year. Ever since, the MDA has been able to draw on these funds for emergencies such as the 2020 swine supply disruption and the 2022 outbreak of Highly Pathogenic Avian Influenza. The addition of \$1.5 million will make the Account functional again. The anticipated costs of a single response are around \$250,000 after reimbursement. The goal of the fund is to cover up-front costs to begin the response immediately, so balances may dip much lower than \$250,000 before federal cooperative agreements are established and a quarterly reimbursement plan reinstates the funds.

The extent and target species of any single incident is unknown. These funds will be used to fulfill the MDA's obligations in the Minnesota Emergency Operations Plan, as support to the Board of Animal Health's directives, or to bridge the gap when federal funds fall short. Reimbursement amounts are subject to change any time, including during a response.

Funds may pay for state employee payroll. Staff are redirected from their normal work to respond to an ag emergency and are in turn paid by the incident. This arrangement allows program supervisors some savings and

therefore an incentive to allow staff the time away. Overtime, where allowed by labor contracts, may be paid to employees. The MDA may hire temporary staff to fill needed positions for data entry or to manage permitted movements if quarantine restrictions are in place.

State contractors for emergency response are often engaged in ag incidents. Funds will cover their work and equipment maintenance and repair for state-owned items. The MDA may require additional workspaces to store equipment and materials or to house employees dedicated to the incident. Leases are directed to these funds along with any MNIT setup, services, networking, and maintenance plans necessary to make the space functional. IT cost for dedicated help desk, workstation management and geospatial technology support are paid for by the Ag Emergency Account.

Impact on Children and Families:

Families, often rural farm families, can be affected by agricultural emergencies. Funds used to support response teams help these communities by offering them a point of contact, rapid assistance, counseling options and ongoing communication. All of these alleviate the stress and anxiety associated with emergency impacts. Strong continuity of business support means that suicides are less likely, and the development of individual and community support mechanisms as part of a response results in better mental health outcomes not only for victims and their families, but for the responders themselves and their loved ones.

Equity and Inclusion:

Natural disasters, animal disease outbreaks, and climate change effects don't discriminate among their victims. All Minnesota citizens are eligible to receive the same treatment by agricultural responders. As the effects of climate change grow more visible and substantial from year to year, the expectation is that more people will be affected. The Commissioner of Agriculture may use his/her best judgment to declare an emergency for any group of citizens who are impacted by an agricultural disaster.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐ Yes

☒ No

Results:

Part A: Performance measures

The agriculture incident management team continues to train and exercise to respond to animal disease threats, or any emergencies related to climate change, market disruption, or other unforeseen event. The details of performance will change depending on the incident, but broadly speaking, the 23 critical activities set forth by USDA-APHIS-Veterinary Services represent the goals for training, exercises, and response. These activities are, in no particular order:

- | | |
|----------------------------------------------|----------------------------------------------------------|
| 1. Etiology and ecology | 13. Communications |
| 2. Mass depopulation and euthanasia | 14. Animal welfare |
| 3. Case definitions | 15. Health and safety, and personal protective equipment |
| 4. Disposal | 16. Modeling and assessment tools |
| 5. Surveillance | 17. Biosecurity |
| 6. Cleaning and disinfection | 18. Appraisal and compensation |
| 7. Diagnostics | 19. Quarantine and movement control |
| 8. Vaccination | 20. Finance |
| 9. Epidemiological investigation and tracing | 21. Continuity of business |
| 10. Logistics | 22. Incident Management |
| 11. Information management | 23. Regionalization for international trade |
| 12. Wildlife management and vector control | |

The MDA works closely with APHIS-VS for recommended coursework, a variety of exercise options, and expertise to develop these competencies. All responses do not require mastery of all competencies, but growth and development benchmarks are set upon the categories listed.

During a response, performance is gauged through feedback from customers such as producers, veterinarians, laboratory representatives, extension agents, the media, social media, other state animal health officials, and the citizens of Minnesota. After a response or any training mission, a hotwash is conducted with participants from the response team and other players to report positive and negative reviews of the actions taken. This feedback is distilled into an after-action review and an improvement plan is developed for the response team going forward.

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: Expand Minnesota Grown Program Promotion of Locally Raised and Processed Meat and Poultry

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	75	75	75	75
Revenues	0	0	0	0
Ag Funds (Private Contributions/Revenue)				
Expenditures	20	20	20	20
Revenues	20	20	20	20
Net Fiscal Impact = (Expenditures – Revenues)	75	75	75	75
FTEs	0	0	0	0

Recommendation:

The Governor recommends a Minnesota Grown Program increase of \$75,000 annually. This General Fund appropriation transfers to the Minnesota Grown Ag Fund account to expand the program's ability to promote locally raised and processed meat and poultry.

The \$75,000 annual appropriation represents an 1.78% increase over the current combined FY 2022-2023 biennium Agricultural Marketing and Development appropriation (\$8.415 million).

Rationale/Background:

The Minnesota Grown Program received its first state appropriation thirty-five years ago in 1987 to promote products that were grown or raised on Minnesota farms. The program was originally focused on locally grown produce and is still primarily associated with specialty crops even though more than 450 meat and poultry producers are members of the program. The last increase to the state appropriation was more than a decade ago in 2008. Since that time, the number of farmers and markets who purchase an annual membership has increased by nearly 40% from 944 members to more than 1,300 members. This program was created as a public/private partnership and statute requires the MDA to receive at least \$1 in private contributions for every \$4 invested by the state. This proposal will increase the minimum amount of private contributions (revenue) by nearly \$20,000 per year.

Increased investments in promoting processing facilities that source locally raised meat and poultry will create greater opportunities for livestock producers to directly market their meat to consumers, restaurants, and retailers. This recommendation for a modest increase to the Minnesota Grown Program's annual appropriation of \$186,000 will be a tremendous benefit to livestock and poultry producers as well as to small meat processors.

The Minnesota Grown logo is widely recognized by consumers and retailers as a way to identify locally grown and raised products. The program's online directory of more than 1,000 farms and markets at www.minnesotagrown.com handles more than 350,000 users annually. This recommendation will drive additional consumer traffic to the online directory for the purpose of purchasing locally raised and processed meat and poultry products.

Proposal:

This proposal expands the MDA's Minnesota Grown Program's ability to promote locally raised and processed meat and poultry by increasing the annual appropriation from \$186,000 to \$261,000. The additional \$75,000 will be administered with existing program staffing levels and will allow the agency to invest in paid advertising, social media promotion, public relations activities, and significantly expanded content on the popular www.minnesotagrown.com website.

This increase will generate a total of \$20,000 new revenue through issuing additional Minnesota Grown Labeling Licenses to livestock farmers and processors as well as from advertising revenue as these new licensees purchase listings in the online Minnesota Grown directory.

Impact on Children and Families:

The MDA does not anticipate this proposal having a direct impact on children and families.

Equity and Inclusion:

This proposal focuses specifically on family farmers who raise and market their own livestock and poultry products as well as small processing plants. We will work closely with organizations such as the Latino Economic Development Center to ensure that people of color are fully aware of these opportunities.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐ Yes

☒ No

Results:

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Current Value</i>	<i>Date</i>	<i>Projected Value (without)</i>	<i>Projected Value (with)</i>	<i>Date</i>
Quantity	# livestock and poultry producers who are licensed to use the Minnesota Grown logo	450	2022	450	550	2024
Quantity	# of meat processors who are licensed to use the Minnesota Grown logo on their products	15	2022	15	35	2024

Statutory Change(s):

No statutory changes will be needed.

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: Expansion of AGRI Meat Processing Grants

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	250	250	250	250
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	250	250	250	250
FTEs	.15	.15	.15	.15

Recommendation:

The Governor recommends an increase of \$250,000 each year beginning in FY 2024 for Agricultural Growth, Research, and Innovation (AGRI) program for grants meat, poultry, egg, and milk processors.

This results in a 1.4% increase to AGRI's FY 2024 and FY 2025 base appropriation of \$17.553 million each year.

Consistent with existing AGRI policy, the MDA will use no more than 6.5% of this appropriation for administration of the grants and outreach to the industry.

Rationale/Background:

The MDA has administered grants for meat, poultry, egg, and milk processing since FY 2013, primarily through the Value-Added Grant. The Value-Added Grant program reimburses grantees for 25% of their costs to purchase equipment and make related physical improvements to expand their capacity to utilize Minnesota agricultural products. Grants range from approximately \$1,000 to \$150,000. All types of value-added companies (e.g., meat/poultry/egg/dairy processors, breweries/wineries/distilleries, consumer packaged goods manufacturers, and renewable energy producers) are eligible to apply.

Since FY 2022, we have been offering a similar grant specifically for meat, poultry, egg and milk processors that was based on the existing Value-Added Grant. The AGRI budget rider allocated \$750,000 for Meat, Poultry, Egg, and Milk Grants. The program has slightly more favorable terms for grantees, requiring a 1:1 match on the first \$50,000 of eligible project costs before reverting back to the typical 25% reimbursement for remaining costs.

Demand for the AGRI Meat, Poultry, Egg, and Milk Processing Grant far exceeded the total available funding in FY 2022. We received 67 applications requesting over \$3.2 million in eligible costs. Of these, we awarded grants to 15 businesses totaling \$709,235. The unfunded applications and those that were only partially funded were allowed to resubmit their applications for consideration for an AGRI Value-Added Grant in the spring 2022. Including the resubmitted meat/poultry processing applications, we considered 137 applications requesting \$5.4 million in eligible costs for the FY 2022 AGRI Value-Added Grant. We awarded 23 applications totaling \$1,050,950, including \$392,841 to 11 meat processing businesses.

In FY 2023, we received 54 applications requesting \$3.1 million for the AGRI Meat, Poultry, Egg, and Milk Grant and are currently making awards to 26 processors totaling \$1.4 million.

Proposal:

We are proposing to expand the AGRI appropriation by increasing the funding available specifically for grants to meat, poultry, egg, and milk processors. The FY 2022-2023 budget rider allocated \$750,000 each year for these grants, and beginning in FY 2024, provided a base appropriation of \$250,000 each year. We are proposing to expand the AGRI appropriation by increasing the funding available for these grants by \$3 million in FY 2024, \$2 million in FY 2025, and the base beginning in FY 2026 by \$750,000.

Impact on Children and Families:

The MDA does not anticipate this proposal having a direct impact on children and families.

Equity and Inclusion:

The existing AGRI Meat, Poultry, Egg, and Milk Grant prioritizes projects that expand Kosher and Halal processing in the state. We anticipate that this priority will remain in future rounds.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

- ☐ Yes
- ☒ No

Results:

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Current Value</i>	<i>Date</i>	<i>Projected Value (without)</i>	<i>Projected Value (with)</i>	<i>Date</i>
Quantity	# of AGRI Meat, Poultry, Egg, and Milk Grants	15	FY 2022	5	10	FY 2024
Quality	# of AGRI Meat, Poultry, Egg, and Milk Grants Awarded to Kosher/Halal Processors	4	FY 2022	1	2	FY 2024

Statutory Change(s):

No statutory changes will be needed.

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: Noxious Weed Grants for Local Units of Government

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	400	400	400	400
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	400	400	400	400
FTEs	0	0	0	0

Recommendation:

The Governor recommends \$400,000 per year to the General Fund to make grants to local units of governments and Tribal nations for noxious weed detection, control and management. The MDA has an ongoing appropriation of \$450,000 per fiscal year to support the Department's Noxious Weed Program which provides statewide support and coordination for noxious weed control work.

Rationale/Background:

Noxious weeds, such as Palmer amaranth, poison hemlock and wild parsnip, are a statewide issue and threaten Minnesota's agricultural systems and natural habitats. Effective management of noxious weeds requires local, on-the-ground efforts with coordination at a regional or statewide scale since weed populations do not end at property borders. Grants to local units of government and Tribal nations are an effective way for the Department to provide coordination of efforts while enabling needed on-the-ground management.

The MDA has managed a noxious weed grant program since FY 2018. During that time, over 20,000 acres of noxious weeds have been managed by 119 grant recipients. In addition, the Department, working with partner agencies and producers, has been able to prevent the establishment of significant populations of Palmer amaranth like has been seen in neighboring states.

Noxious weed work in Minnesota is well-coordinated amongst the various agencies and associations involved through the Noxious Weed Advisory Committee. This committee is made up of representatives from over 20 organizations and is strongly supportive of grants for noxious weed management to local governments and Tribes.

Proposal:

The MDA has provided grants to local governments since FY 2018. For the FY 2018-2019 biennium, \$300,000 per year were appropriated from the general fund. For the FY 2020-2021 biennium, \$1 million was proposed in the governor's budget for the grant program. However, that funding was not included in the final bill and instead the department was appropriated funds from the Environment and Natural Resources Trust Fund. This amount was \$1 million for FY 2020-2022. As of FY 2024, the department does not have any funds appropriated to make grants for this purpose.

M.S. 18.89 and M.S. 18.90 state that "the commissioner of agriculture shall administer a grant program to assist counties and municipalities and other weed management entities in the cost of implementing and maintaining noxious weed control programs and in addressing special weed control problems." Local municipalities (counties, townships, cities) and Tribal nations have limited funds available to establish and maintain noxious weed and

invasive plant management programs. Grant funding from the MDA has shown to be highly beneficial to these local units of government. The past four years of MDA grant funds awarded \$1,200,000 to 119 recipients across the state. In addition to treating over 20,000 acres, these projects have reported positive impacts ranging from adjacent landowners managing weeds on their properties, to state and federal landowners managing weeds near areas that grant projects are focusing on. Grant recipients have reported increased collaborations with multiple stakeholders, including private landowners, and county and township highway departments. Furthermore, focused treatments on targeted weed species with best management practices are reducing weed populations of targeted species such as Palmer amaranth, non-native phragmites, knotweed, black swallow-wort, oriental bittersweet, poison hemlock, and wild parsnip.

Historically, counties and municipalities were given the responsibility to enforce the Noxious Weed Law as an unfunded mandate. Many municipalities are reluctant to levy taxes to fund even modest weed management programs, and over the years Minnesota has seen the impact caused to farmers and other landowners by increasing infestations of noxious weeds, such as Palmer amaranth, Canada thistle and wild parsnip. Municipalities struggle even more with limited means of either enforcing the weed law or implementing a weed management program. In addition, Tribal nations have been underrepresented in statewide noxious weed and invasive plant management programs. This situation continues to worsen as climate change has contributed to the spread of invasive species from southern regions of the U.S. into the upper Midwest.

Successful weed management relies on persistence and continuity. By providing counties and municipalities an opportunity to develop local weed management programs and continue weed management on the ground, noxious weed populations are reduced, lowering the threat to human health, livestock, and the environment. States like Montana, Wyoming, Washington and Oregon have also implemented grant programs to help fund local weed control efforts. Funding sources for these programs differs, but all states have reported that without grants to local governments, their state noxious weed laws could not be effectively managed or enforced. Grant funding allows many local governments to consider developing cost-effective weed control efforts that positively impact their citizens and industries, especially crop and livestock production.

After funding from the Environment and Natural Resources Trust Fund expires at the end of FY23, the Department no longer has funds available to make grants for local noxious weed work. From both the experience in Minnesota during the past five years and that of noxious weed programs in other states, grants to local units of government to conduct on-the-ground weed control are an integral part of a successful noxious weed program.

Impact on Children and Families:

This proposal does not have an impact in this area.

Equity and Inclusion:

This proposal seeks to detect, control and eradicate noxious weeds and invasive plants in the state and as such will assist local units of government and Tribal nations rather than individual landowners. Therefore, any grant award will be a benefit to all citizens. In particular, MDA will prioritize rankings of grants for local governments and Tribal nations that show equity in their proposal for underrepresented communities in their jurisdictions. Our past ranking criteria prioritized grant submissions from Tribal governments and local governments with less than 10,000 residents.

This proposal will have positive impacts on all citizens of Minnesota through protection of existing native ecosystems and restoration of invaded habitats. There are no negative impacts or unintended consequences known. MDA has run a similar grant program since 2017 and no negative impacts to communities have been documented. The grant program has been widely accepted statewide.

Tribal nations, cities and counties are represented on the Noxious Weed Advisory Committee which has advocated for grants of this nature.

Tribal Consultation:

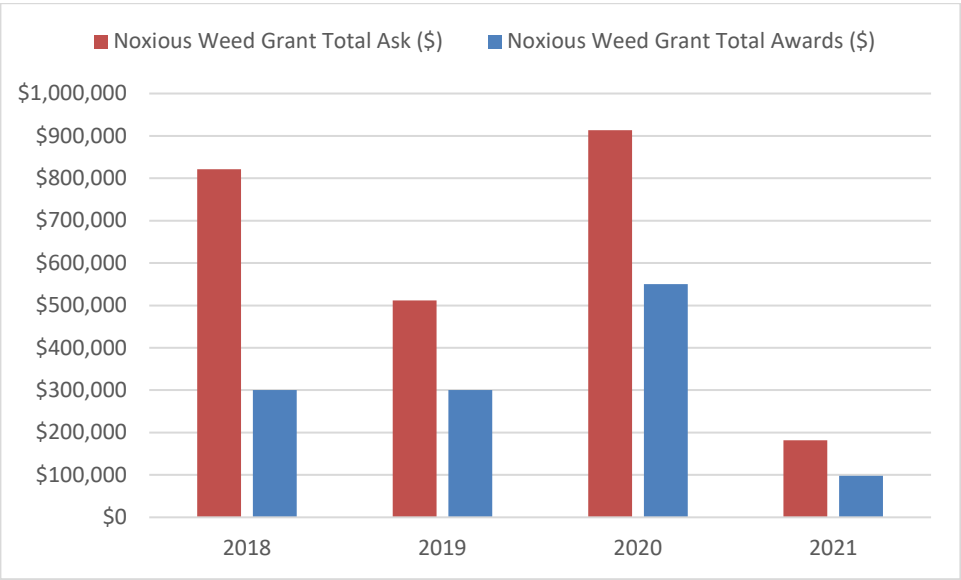
Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

- ☐ Yes
- ☒ No

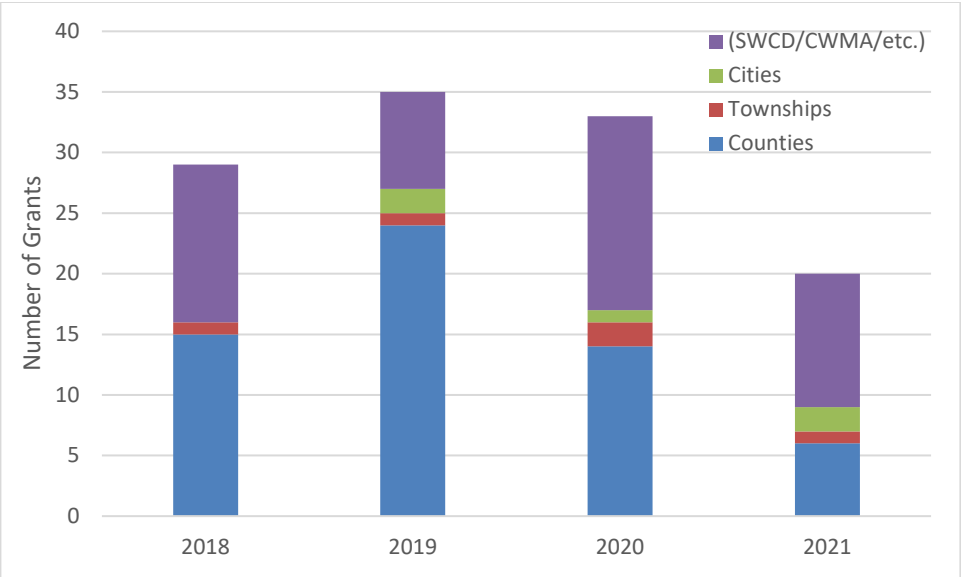
Results:

Part A: Performance measures

Noxious weed grant dollars requested scale to the amount available. Generally speaking, the amount requested has been twice the amount available. This is an indicator of the need local governments have for these grants to support weed control efforts and we anticipate this pattern to continue into the future.



Grants have been distributed across the different levels of local governments and organizations. We expect this pattern to continue into the future where we hope to better engage Tribal nations to also participate in the grant program.



Statutory Change(s):

If the proposal will require statutory changes, include the statute number here. NA

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: Grants for Farmers Market Hubs

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	350	350	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	350	350	0	0
FTEs	0.25	0.25	0	0

Recommendation:

The Governor recommends \$700,000 from the General Fund split between FY 2024 and FY 2025 to create and implement a new grant program for the growth and expansion of farmers market hubs. Grants will be made available to farmers markets to start or expand aggregation and food hub services. This recommendation includes the ability to apply directly costs for administration of the program.

The \$700,00 appropriation represents an 8.3% increase over the current combined FY 2022-2023 biennium Agricultural Marketing and Development appropriation (\$8.415 million).

Rationale/Background:

In 2018, Renewing the Countryside, Minnesota Institute for Sustainable Agriculture, and Minnesota Farmers Market Association received a USDA Specialty Crop Block Grant to pilot six farmers market hubs with a goal of supporting market development for Minnesota producers and increasing community access to local foods. Through additional grant support, this pilot has now grown to 11 farmers market hubs across the state. These farmers market hubs aggregate food products from market vendors to sell to wholesale customers such as schools, restaurants, and veggieRX programs.

What started as pilot has proven to be a successful and replicable model for strengthening local and regional markets in Minnesota, to the benefit of both farmers and their communities. While market hubs require less capital than brick-and-mortar food hubs, they do require funding to establish and operate. This includes equipment (tents, tables, hand wash stations, scales, and totes), fees for an online ordering platform, staff time and training, and licenses.

Proposal:

The Governor is recommending \$700,000 to establish and administer a competitive grant program for farmers market hubs in Minnesota. This grant will provide funding to start, sustain, and grow aggregation efforts at farmers markets. Grants will support a variety of market hub expenses, such as investment in equipment and infrastructure, staffing, training, and program development.

Impact on Children and Families:

Several existing farmers market hubs provide local food to schools. By providing grant opportunities to expand market hubs in Minnesota, there will be increased support and infrastructure for Farm to School programs, which increase children's access to local food. In addition, hubs can provide consistent supply of local foods to individual families through online sale platforms.

Equity and Inclusion:

Farmers markets serve a significant number of Minnesota’s emerging farmers. The MDA expects that this proposed grant will prioritize projects contributing to the success of emerging farmers including historically underserved communities, such as, Black, Indigenous, and People of Color, immigrants, women, veterans, persons with disabilities, young and beginning farmers, LGBTQ+ farmers, and others. Each of our competitive grant programs prioritize underserved communities, consistent with Office of Grants Management policy.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐ Yes

☒ No

Results:

Farmers markets will evaluate their programs with support from organizations like Renewing the Countryside, Minnesota Institute for Sustainable Agriculture, and Minnesota Farmers Market Association. The current measures are based on the [2018-2020 Farmers Market Hubs Sales Summary](#) Report.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Current Value</i>	<i>Date</i>	<i>Projected Value (without)</i>	<i>Projected Value (with)</i>	<i>Date</i>
Quantity	# of farmers market hub grants	N/A	N/A	0	20	FY 2025
Quantity	# of farmers selling through market hubs	120	2020	160	200	FY 2025
Quantity	\$ sales through farmers market hubs	\$295,199	2020	\$350,000	\$600,000	FY 2025

Statutory Change(s):

No statutory changes will be needed.

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: Biofuels Infrastructure Investment

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	1,500	1,500	1,500	1,500
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	1,500	1,500	1,500	1,500
FTEs	1	1	1	1

Recommendation:

The Governor recommends an annual base appropriation of \$1.5 million beginning in FY 2024 for the Agricultural Growth, Research, and Innovation (AGRI) Biofuels Infrastructure Financial Assistance Program. These grants help service stations upgrade their equipment (fuel dispensers, underground tanks, and associated equipment) to be able to sell blends of gasoline containing 15% or more of ethanol. Grants are to be made to service stations in Minnesota that are independently owned or belong to chains of 10 stations or less.

This results in an 8.54% increase to AGRI's FY 2024-2025 base appropriation of \$35.106 million.

Consistent with existing AGRI policy, the MDA will use no more than 6.5% of this appropriation for administration of the grants and outreach to the industry.

Rationale/Background:

According to the Minnesota Department of Commerce, there are 435 retail stations selling E15/Unleaded 88 motor fuel out of approximately 3,100 total retail stations in Minnesota. According to the Minnesota Pollution Control Agency (MPCA), only 15% of service-station sites were estimated to be compatible with E15/Unleaded 88, leaving 85% of sites needing equipment upgrades. The MPCA estimates a total cost of bringing Minnesota stations to E15/Unleaded 88 compatibility to be up to \$784 million. The MDA received \$6 million in FY 2022-2023 for the Biofuels Infrastructure Financial Assistance Program which leveraged a \$1 million contribution from the Minnesota Corn Growers Association. Grant applications requesting funds greatly exceeded the \$7 million available for infrastructure upgrades. Additional funds for the Biofuels Infrastructure program are needed to assist small business owners in making infrastructure upgrades that will make E15/Unleaded 88 and higher ethanol blends more widely available in Minnesota. Most of the stations with incompatible equipment are independently owned or belong to small retail chains. The \$3 million recommendation per biennium would provide grants to approximately 20 retail fuel stations to upgrade infrastructure necessary to dispense higher ethanol motor fuel blends.

Additionally, the EPA recently allowed sale of E15 in Minnesota during the 2022 summer driving season and the EPA is likely to promulgate rules allowing year-round sales of E15/Unleaded 88 as early as next year. E15/Unleaded 88 appears to be on its way to becoming the "new normal" and most of the retail fuel stations in Minnesota have incompatible infrastructure.

Proposal:

This proposal provides grants to retail fuel stations for biofuels infrastructure upgrades necessary to deliver motor fuel containing 15% ethanol and higher blends (fuel dispensers, underground tanks, and associated equipment).

The grants we administered during FY 2022-2023 were subject to the following requirements:

- Result in equipment compatible with blends of up to 25% ethanol (E25)
- Be to service stations in Minnesota that are independent stations or are part of chains of 10 stations or less
- Be limited to 65% of total project cost; and
- Be capped at \$199,999.

This proposal complements work of the MDA to promote the use of biofuels, and statutory goals including petroleum replacement goals (MINN. STAT. 239.7911) and climate goals (the 2007 Next Generation Energy Act). It is also consistent with November 2020 recommendations made by the Governor’s Council on Biofuels.

Impact on Children and Families:

This proposal has indirect benefits to children and families. Biofuels containing higher ethanol blends have fewer cancer-causing aromatic and particulate matter emissions thus improving air quality and human health.

Equity and Inclusion:

This proposal indirectly benefits environmental justice areas and overburdened communities. The likelihood of living in an area with air pollution at a level above health guidelines is higher if you are a person of color, indigenous, or lower income. Poor air quality from vehicle emissions disproportionately impacts overburdened communities and communities of color. Biofuels containing higher ethanol blends have fewer cancer-causing aromatic and particulate matter emissions. Transitioning to higher ethanol blend fuels can improve local air quality and human health.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐ Yes

☒ No

Tribal governments, communities, and members eligible to apply for many of the AGRI programs. For instance, in FY 2022, Tribal communities and businesses received Farm to School, Urban Agriculture, Biofuels Infrastructure Financial Assistance, Good Food Access Program Equipment and Physical Improvement. Of the 44 Biofuel Infrastructure Grants we awarded in FY 2022-2023, eight grants served Tribal communities. Within our competitive grant programs, we prioritize projects that meaningfully include or benefit emerging farmers, including members of Tribal communities.

Results:

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Current Value</i>	<i>Date</i>	<i>Projected Value (without)</i>	<i>Projected Value (with)</i>	<i>Date</i>
Quantity	# of Biofuel Infrastructure grants awarded	44	FYs 2022-2023	0	20	FYs 2024-2025
	# of gas stations selling E15 or higher blends	435	FY 2022	479	499	FY 2025

Statutory Change(s):

No statutory changes will be needed.

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: Increase Second Harvest Milk Allocation

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	250	250	250	250
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	250	250	250	250
FTEs	0	0	0	0

Recommendation:

The Governor recommends an additional base appropriation of \$250,000 each year to supplement the existing grant provided to Second Harvest Heartland (SHH) to purchase milk, protein, and surplus agricultural items (primarily fresh fruits and vegetables). These funds would be used specifically for milk purchases.

The \$500,000 appropriation for FY 2024-2025 represents a 2% increase over the current combined FY 2022-2023 biennium Administration and Financial Assistance appropriation (\$24.906 million).

Rationale/Background:

Milk is one of the most in demand foods at food shelves. In 2022, SHH did a series of listening session and the need for additional milk was a frequent theme throughout them. The current \$600,000 appropriation used to cover about six months of milk. However, with rising food prices, the appropriation now only covers approximately four months of milk for Minnesota food shelf partners.

Proposal:

This program would build off the existing General Fund appropriation to SHH (on behalf of all Feeding America food banks serving Minnesota) to purchase milk, meat, and surplus agricultural items (mostly fruits and vegetables). In FY 2022 and 2023, \$1.7 million was granted each year. Of that amount, at least \$600,000 had to be used on milk purchases. This proposal would increase the minimum milk purchase to \$850,000 each year.

Existing rider language requires that milk be purchased from Minnesota milk processors and based on low-cost bids.

Consistent with the existing SHH appropriation, this request includes administrative costs of 2% for SHH.

Impact on Children and Families:

The MDA anticipates this program will have a positive impact on children and families. In 2021, Minnesotans made 3,632,243 visits to food shelves. According to Hunger Solutions, 1,265,599 of the visits were made by children.

Equity and Inclusion:

The MDA expects that this program will contribute to reducing inequities for targeted populations.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

- ☐ Yes
- ☒ No

Results:

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Current Value</i>	<i>Date</i>	<i>Projected Value (without)</i>	<i>Projected Value (with)</i>	<i>Date</i>
Quantity	\$ of Milk Purchased	\$600,000	FY 2022	\$600,000	\$850,000	FY 2024
Quality	# of Months Milk Available to Food Shelves	6	FY 2021	4	6	FY 2024

Statutory Change(s):

No statutory changes will be needed.

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: Aid to County and District Agricultural Societies and Association

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	200	200	200	200
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	200	200	200	200
FTEs	0	0	0	0

Recommendation:

The Governor recommends an increase of \$200,000 annually to increase the aid to eligible county and district agricultural societies and associations. This program has a base appropriation of \$474,000. This change item represents a 42.2% increase to the program.

Rationale/Background:

County and district agricultural societies and associations, typically county fairs, meeting a set of criteria defined in law under Minnesota Statute 38.02 may submit a statement of premium allocations and receive aid for cash awards paid to exhibitors for the merit of an exhibit of livestock, livestock products, grains, fruits, flowers, vegetables, articles of domestic science, handicrafts, hobbies, fine arts, other products of a creative nature, and articles made by school pupils, or the cash award paid to the merit winner of events such as 4H Club or Future Farmer contests, youth group contests, school spelling contests and school current events contests.

The issue that if the total amount of state aid to which the agricultural societies and associations are entitled exceeds the amount of the appropriation, the amounts paid to eligible societies or associations is prorated so that the total payments by the state will not exceed the appropriation. An increase to the appropriation greatly reduces the risk of agricultural societies and associations aid payments being reduced.

Proposal:

This proposal increases the existing appropriation by \$200,000 to provide a total of \$647,000 in aid to agricultural societies or associations. Aid payments are computed as follows:

- The first \$750 premiums paid by each society or association at the last fair held, the society or association shall receive 100 percent reimbursement;
- The second \$750 premiums paid, 80 percent;
- The third \$750 premiums paid, 60 percent; and
- Any sum in excess of \$2,250, 40 percent.

Impact on Children and Families:

The aid funding, in part, is provided to agricultural societies and associations for youth awards for merit of an exhibit or for youth group contests such as school spelling contests and school current events contests.

Equity and Inclusion:

This proposal does not have an impact related to equity and inclusion.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐ Yes

☒ No

IT Costs

This is not an IT related proposal.

Statutory Change(s):

No statutory changes will be needed.

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: Expanded International Trade Support

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	150	150	150	150
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	150	150	150	150
FTEs	1	1	1	1

Recommendation:

The Governor recommends \$150,000 as a base appropriation each year beginning in FY 2024 from the General Fund for international trade. Funding will support a full time International Trade Representative based at the Minnesota Department of Agriculture (MDA) for trade missions and international marketing support.

The results in a 3.57% increase over the current combined FY 2022-2023 biennium Agricultural Marketing and Development appropriation (\$8.415 million).

Rationale/Background:

Demand for the MDA's international marketing services has outgrown our capacity to provide services to farmers and value-added processors and the MDA is unable to capitalize on new market development opportunities. Without increased staff capacity, many of these market opportunities will be lost to producers and processors from other states or countries.

Minnesota agricultural exports have increased by 118 percent since 2010, from \$6.1 billion to \$7.2 billion in 2020. Minnesota is ranked 4th in the nation in total agricultural exports. To ensure this trends continues, additional resources are required to maintain quality programming to producers, processors and companies around the state.

The MDA needs more resources to keep up with industry and trade trends, communicate with our state's food and agricultural companies, and execute current marketing efforts including education, host Minnesota Pavilions at global trade shows, and conduct inbound and outbound trade missions.

This proposal is designed to augment existing resources around marketing and trade. The MDA seeks to expand services with the growing momentum around food, agriculture, and trade in Minnesota. If this request is not funded, small to medium sized businesses will not receive vital marketing services necessary to give their products visibility and receive connectivity to markets. Consequently, they will not be able to expand, create job growth, and in a worst-case scenario, may go out of business.

Proposal:

This proposal will add one FTE to the Ag Marketing and Development Division dedicated to international trade opportunities. Our programmatic capacity will be expanded by attending at least two international tradeshows, serving additional exporting companies, developing business in new markets, and providing export education to

companies new to exporting. This position will also leverage federal dollars available through Food Export of the Midwest.

Impact on Children and Families:

The MDA does not anticipate this proposal having a direct impact on children and families.

Equity and Inclusion:

None of these groups are specifically impacted by the proposal. The MDA will recruit from diverse sources when hiring and build on existing relationships with diverse farming communities. We do not anticipate any adverse impacts on any of the groups.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐ Yes

☒ No

Results:

The new proposed investment will build on the success of our existing portfolio of trade shows, trade missions and reverse missions to create additional jobs and economic growth with a modest level of additional public investment.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Current Value</i>	<i>Date</i>	<i>Projected Value (without)</i>	<i>Projected Value (with)</i>	<i>Date</i>
Quantity	Increase in actual sales	\$500,000	2021	\$500,000	\$1,000,000	2025
Quantity	Increase in projected sales	\$750,000	2021	\$750,000	\$1,500,000	2025
Quantity	Number of Minnesota pavilions at international trade shows	1	2021	1	3	2025

Statutory Change(s):

No statutory changes will be needed.

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: Extending the Agricultural Growth, Research, and Innovation (AGRI) Program

Sunset Date

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	0	0	17,582	17,582
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	17,582	17,582
FTEs	0	0	9	9

Recommendation:

The Governor recommends extending the sunset date of the Agricultural Growth, Research, Innovation (AGRI) program statute (MINN. STAT. 41A.12) from June 30, 2025 to June 30, 2035. Without the extension, there would be no legal authority to operate the program.

Rationale/Background:

The Minnesota Legislature established the Agricultural Growth, Research, and Innovation (AGRI) Program (MINN. STAT. 41A.12) in 2009 to promote the advancement of the state's agricultural and renewable energy industries. The statute authorizes the Commissioner of Agriculture to issue grants, loans, and other types of financial assistance for activities including, but not limited to grants to livestock producers under the Livestock Investment Grant Program (MINN. STAT. 17.118); grants for the installation of biofuel blender pumps; and financial assistance to support other rural economic infrastructure activities.

Through AGRI, the MDA implements roughly a dozen separate grant programs annually. In FY 2022, programs included the Production Incentive Programs (MINN. STAT. 41A.16-41A.19), Biofuels Infrastructure Grants, County Fair Grants, Crop Research Grants, Farm to School Grants, Good Agricultural Practices/Good Handling Practices (GAP/GHP) Certification Cost-Share, Good Food Access Program (GFAP) Equipment and Physical Improvement Grants (MINN. STAT. 17.1017), GFAP Technical Assistance Grants (MINN. STAT. 17.1017), Livestock Investment Grants (MINN. STAT. 17.118), Meat, Poultry, Egg, and Milk Processing Grants, New Markets Development Cost-Share, Sustainable Agriculture Demonstration Grants (MINN. STAT. 17.114), Urban Agriculture Grants, and Value-Added Grants.

Funding for these programs comes through annual General Fund appropriations. Without action, the authority to expend funds through these appropriations will expire on June 30, 2025.

Proposal:

This proposal extends the Agricultural Growth, Research, Innovation (AGRI) program sunset date from June 30, 2025 to June 30, 2035 through a change to (MINN. STAT. 41A.12, subd. 4).

Impact on Children and Families:

The FY 2022-2023 budget rider provides "up to" amounts for the programs that have the most direct impact on families and children, such as Farm to School, Good Food Access, and Urban Agriculture; we have consistently funded these programs at the maximum allowable amounts.

Equity and Inclusion:

Many AGRI grants prioritize projects contributing to the success of emerging farmers including historically underserved communities, such as, Black, Indigenous, and People of Color, immigrants, women, veterans, persons with disabilities, young and beginning farmers, LGBTQ+ farmers, and others. Each of our competitive grant programs prioritize underserved communities, consistent with Office of Grants Management policy.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐ Yes

☒ No

Tribal governments, communities, and members eligible to apply for many of the AGRI programs. For instance, in FY 2022, Tribal communities and businesses received Farm to School, Urban Agriculture, Biofuels Infrastructure Financial Assistance, Good Food Access Program Equipment and Physical Improvement. Within our competitive grant programs, we prioritize projects that meaningfully include or benefit emerging farmers, including members of Tribal communities.

Results:

The MDA publishes an annual legislative report each year to report on results for each of the grant programs funded by AGRI. This legislative change will allow these programs to continue at their current funding levels through June 30, 2035. Without this legislative change all of these programs would cease to exist after June 30, 2025.

Statutory Change(s):

MINN. STAT. 41A.12, subd. 4 will need to be amended to reflect the new sunset date.

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: Bioincentive Program Increased Funding

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	2,500	2,500	5,000	5,000
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	2,500	2,500	5,000	5,000
FTEs	0.1	0.1	0.2	0.2

Recommendation:

The Governor recommends a \$2.5 million increase in the base appropriation in FY 2024 and 2025 and a \$5 million increase in the base appropriation beginning in FY 2026 to supplement the Agricultural Growth, Research, and Innovation (AGRI) Bioincentive Programs.

This results in a 14.24% increase to AGRI's FY 2024-2025 base appropriation of \$35.106 million.

Consistent with existing AGRI policy, the MDA requests up to 6.5% of this appropriation for administration of the grants and outreach to the industry.

Rationale/Background:

The purpose of the Bioincentive Programs is to spur private investment in production of advanced biofuels, renewable chemicals, and biomass thermal energy. These successful programs are supported by a broad coalition of partners including the Bioeconomy Coalition of Minnesota and have statewide impact. However, claims for incentive payments greatly exceed funds appropriated for payments. In FY 2022, claims were over \$7.5 million, exceeding the \$4.5 million appropriation by over \$3.0 million. In 2022, the legislature increased the annual appropriation to \$5.75 million, although a substantial shortfall is still expected. The proposed increase of \$2.5 million per year (to total \$8.25 million per year) will reduce, but not eliminate, the shortfall. Fully funding the Bioincentive Programs is one of the recommendations of the Governor's Council on Biofuels. Representatives of bioproduct industries have also advocated for fully funding the Bioincentive Programs in previous legislative sessions.

Proposal:

This proposal is a change to the Bioincentive Programs which were established by the Legislature during the 2015 session to encourage commercial-scale production of advanced biofuels, renewable chemicals, and biomass thermal energy through production incentive payments (MINN. STAT., sections 41A.16-41A.18 and 41A.20).

Bioincentive payments are available for four types of production: advanced biofuels, renewable chemicals, biomass thermal energy, and siding. Payment rates are established by statute. Also established by statute are criteria for minimum production levels, and standards for the sourcing of the biomass feedstock. A minimum of 80% of the biomass must be obtained ("sourced") from Minnesota, and there are standards for harvest of forestry and agricultural cellulosic (i.e., fibrous material, such as wood or plant stalks) biomass intended to protect natural resources and the environment.

Funding for the Bioincentive Programs is from the AGRI program appropriation. Funds appropriated from AGRI for the Bioincentive Program are shown below in Table 1.

Table 1 Bioincentive Program appropriations

Biennium	Year 1	Year 2
2016-2017	\$500,000	\$1,500,000
2018-2019	\$1,500,000	\$1,500,000
2020-2021	\$2,500,000	\$2,500,000
2022-2023	\$4,500,000	\$4,500,000
2024-2025	\$5,750,000	\$5,750,000

The \$5,750,000 shown per year for FY 2024-2025 reflects an increase in the base amount for the Bioincentive Program allocation contained in the 2022 appropriation language.

There have now been claims in six fiscal years of the Bioincentive Program. Details of reimbursements made to date are summarized in Table 2 by fiscal year and production type.

Table 2. Program reimbursement by production type for FY2017-FY2023 Quarter 1

Fiscal Year (FY)	Production Type	Amount Claim (unit)	Units	Amount Claimed (\$)	Amount Paid (\$)	Amount Not Paid (\$)
FY17	Advanced Biofuel	0	MMBtu	\$0	\$0	\$0
FY17	Renewable Chemical	986,636	Pounds	\$29,599	\$29,599	\$0
FY17	Biomass Thermal	0	MMBtu	\$0	\$0	\$0
Total FY17				\$29,599	\$29,599	\$0
FY18	Advanced Biofuel	0	MMBtu	\$0	\$0	\$0
FY18	Renewable Chemical	3,234,517	Pounds	\$97,036	\$97,036	\$0
FY18	Biomass Thermal	3,589	MMBtu	\$17,945	\$17,945	\$0
Total FY18				\$114,981	\$114,981	\$0
FY19	Advanced Biofuel	0	MMBtu	\$0	\$0	\$0
FY19	Renewable Chemical	23,150,019	Pounds	\$1,291,385	\$1,264,495	\$26,890
FY19	Biomass Thermal	47,100	MMBtu	\$235,505	\$235,505	\$0
Total FY19				\$1,526,890	\$1,500,000	\$26,890
FY20	Advanced Biofuel	129,519	MMBtu	\$1,254,058	\$435,706	\$818,352
FY20	Renewable Chemical	20,653,952	Pounds	\$3,417,802	\$1,739,672	\$1,678,130
FY20	Biomass Thermal	65,815	MMBtu	\$397,304	\$324,623	\$72,682
Total FY20				\$5,069,164	\$2,500,000	\$2,569,164
FY21	Advanced Biofuel	851,192	MMBtu	\$1,792,015	\$761,052	\$1,030,963
FY21	Renewable Chemical	69,424,661	Pounds	\$4,165,480	\$1,438,001	\$2,727,478
FY21	Biomass Thermal	69,086	MMBtu	\$345,431	\$300,946	\$44,485
Total FY21				\$6,302,926	\$2,499,999	\$3,802,926
FY22	Advanced Biofuel	1,320,201	MMBtu	\$2,779,420	\$1,458,565	\$1,320,854
FY22	Renewable Chemical	69,684,633	Pounds	\$4,181,078	\$2,550,498	\$1,630,580
FY22	Biomass Thermal	174,609	MMBtu	\$873,046	\$397,185	\$475,861
Total FY22				\$7,833,544	\$4,406,248	\$3,427,295
FY23 Q1	Advanced Biofuel	486,536	MMBtu	\$1,024,304	\$1,024,304	\$0

Fiscal Year (FY)	Production Type	Amount Claim (unit)	Units	Amount Claimed (\$)	Amount Paid (\$)	Amount Not Paid (\$)
FY23 Q1	Renewable Chemical	26,450,733	Pounds	\$1,587,044	\$1,587,044	\$0
FY23 Q1	Biomass Thermal	60,931	MMBtu	\$304,656	\$304,656	\$0
Total FY23 Q1				\$2,916,003	\$2,916,003	\$0
Grand Total				\$23,793,107	\$13,966,831	\$9,826,275

Impact on Children and Families:

This proposal will indirectly benefit children and families because, in general, bio-based fuels, chemicals, and thermal energy from biomass have lower emissions of carbon and air pollutants than petroleum-based fuels, chemicals, and energy.

Equity and Inclusion:

This proposal will indirectly benefit people of color and Native Americans because these groups are disproportionately affected by pollution and, in general, bio-based fuels, chemicals, and thermal energy from biomass have lower emissions of carbon and air pollutants than petroleum-based fuels, chemicals, and energy.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐ Yes

☒ No

Results:

The following numbers are based on existing participants in the program.

Type of Measure	Name of Measure	Current Value	Date	Projected Value (without)	Projected Value (with)	Date
Quantity	Advanced Biofuel Production in MMBtu	1,412,977	FY 2022	2,500,000	2,500,000	FY 2024
	Renewable Chemical Production in pounds	69,684,635	FY 2022	185,833,000	185,833,000	FY 2024
	Biomass Thermal energy production in MMBtu	174,609	FY 2022	175,000	175,000	FY 2024
Results	\$ Value of unpaid production claims per FY	\$4,601,059	FY 2022	\$8,838,240	\$6,338,240	FY 2024

Statutory Change(s):

No statutory changes will be needed.

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: Climate Implementation Coordinator Position

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	150	150	150	150
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	150	150	150	150
FTEs	1	1	1	1

Recommendation:

The Governor recommends a \$150,000 annual base appropriation beginning in FY 2024 to establish a new climate implementation coordinator position within the MDA.

The results in a 3.57% increase over the current combined FY 2022-2023 biennium Agricultural Marketing and Development appropriation (\$8.415 million).

Rationale/Background:

Like other sectors of Minnesota's economy, agriculture both affects and is affected by climate change.

Minnesota's agricultural and working lands are impacted by a changing climate, including more frequent and more intense heavy rainfall events as well as droughts. These changes have adverse effects, such as delay or prevention of planting, damage to crops, heat stress in livestock, and increased erosion and sedimentation.

Minnesota's agricultural sector emits greenhouse gases (GHGs) that contribute to climate change, including potent GHGs such as methane and nitrous oxide (NO₂). However, agricultural producers and land managers have the unique opportunity to adapt to climate change and mitigate GHG emissions by implementing best management practices that store carbon in the soil and contribute to climate-resilient landscapes. Minnesota's natural and working lands, including agriculture, forestry, grasslands, and wetlands and peatlands, increase carbon storage through improved soil health and management practices. Additionally, Minnesota crops and forest resources are used as feedstocks for advanced biofuels and bioproducts that replace petroleum products, further reducing GHG emissions.

Minnesota released the Climate Action Framework (CAF) in September 2022. This framework is Minnesota's next step in responding to climate change and includes an ambitious set of goals and initiatives for MDA and sister agencies. Leading with action is paramount to MDA's work to create climate-smart natural and working lands and reduced GHG emissions from the agricultural sector. The MDA plays a pivotal role in the following CAF initiatives:

- Creating resilient landscapes and cropping systems that can adapt to the effects of climate change
- Promoting healthy soils and farmland through soil health and nutrient management practices that reduce GHG emissions and enhance carbon storage, water quality, and habitat
- Developing multipurpose water storage and management practices that protect farmland, water supplies, and infrastructure
- Investing in emerging crops, bioproducts, and local economies by supporting emerging agricultural and forestry technologies and products that reduce waste, create jobs, and expand economic opportunities

Proposal:

While staff across the agency are actively working on climate-related issues and challenges, effectiveness and efficiency of public investment would be improved by a dedicated position focused on coordinating climate policy and action. A climate implementation coordinator will be instrumental in:

- Coordinating activities among MDA staff and counterparts in other agencies to make measurable progress towards goals outlined in the CAF.
- Tracking and responding to legislation and other policy initiatives.
- Developing strategic partnerships with industry, the private sector, and NGOs.
- Coordinating efforts seeking federal funding for climate-related initiatives. For example, the Infrastructure Investment and Jobs Act (IIJA) and Inflation Reduction Act (IRA) both contain funding opportunities for states on climate adaptation and mitigation efforts.

Impact on Children and Families:

This proposal directly benefits children and families by acting on the climate challenges facing Minnesota today. The Intergovernmental Panel on Climate Change issued a “code red” for humanity last year, saying that urgent action is required to ward off the worst consequences of global warming. This proposal will accelerate the agency’s implementation of initiatives outlined in the CAF and will benefits current and future generations of Minnesotans.

Equity and Inclusion:

The MDA acknowledges and addresses inequitable and inaccessible systems that contribute to some communities experiencing disproportionate climate change impacts. The climate implementation coordinator would work within the MDA and across other agencies to ensure equitable distribution of the costs and benefits of climate action now and to future generations.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐ Yes

☒ No

Results:

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Current Value</i>	<i>Date</i>	<i>Projected Value (without)</i>	<i>Projected Value (with)</i>	<i>Date</i>
Quantity	# of federal grant applications submitted	0	FY 2022	0	3	FY 2024
Result	Reduce annual GHG emissions in the working lands sector from 2018 levels	0%	FY 2022	0%	-25%	FY 2036
Result	Increase carbon storage in natural and working lands compared to 2014-2018 levels	0	FY 2022	0%	+25%	FY 2036

Statutory Change(s):

No statutory changes will be needed.

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: Clean Water Fund- Monitoring for Pesticides in Surface Water and Groundwater

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	350	350	0	0
Revenues	350	350	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	2.04	2.04	0	0

Recommendation:

The Governor recommends a \$700K FY2024-25 Clean Water Fund appropriation for the Monitoring of Pesticides in Surface Water and Groundwater will provide ongoing pesticide monitoring support for the Minnesota Department of Agriculture (MDA) Laboratory. This funding provides increased capability and greater capacity for pesticides water samples and allows for cooperative projects with other agencies including MPCA, MDH and Tribal partners. Funding is used to support staff positions in the MDA Laboratory to process and analyze an increased number of pesticide samples along with equipment and supplies.

This proposal represents 1% of the Minnesota Department of Agriculture's (MDA) Clean Water Fund request for FY24-25.

Rationale/Background:

This program activity provides support for the laboratory analysis of pesticides in surface water and groundwater samples. The results of those tests are compared with water quality benchmarks and standards to assess water quality condition. Pesticides are frequently detected in surface water and groundwater and can result in surface water impairments and pose a risk for drinking water. Having reliable long-term data about pesticides in surface water and groundwater is extremely important for informed decision-making to protect human health and the environment. These are ongoing issues of public concern. Long-term pesticide monitoring allows for the evaluation of trends to protect water quality based on monitoring results. The majority of funding for pesticide analysis at the MDA Laboratory is provided by fees paid on pesticide sales. The Clean Water Funding has enhanced the program and allowed the MDA pesticide monitoring program to become one of the most comprehensive programs in the nation.

This proposal is recommended and supported by the Clean Water Council.

Proposal:

This request is a continuation of funding for the MDA Laboratory to provide greater capacity to continue to effectively monitor the waters of the state for pesticides. Having reliable long-term data on concentration trends for pesticides in surface water and groundwater is extremely important for informed decision-making. These are ongoing issues of public concern. This funding provides increased capability and greater capacity for pesticides water samples and allows for cooperative projects with other agencies including MPCA, MDH and Tribal partners. The funding is used primarily to support approximately 2 FTE to manage and analyze water samples in the laboratory. Some of the funding is also used for lab supplies and equipment maintenance.

Impact on Children and Families:

Monitoring for pesticides in surface and groundwater is important to protect children and families because monitoring results provide information on whether the water is safe for consumption or other recreational or contact uses. Clean Water Fund activities must be spent to protect, enhance, and restore water quality in lakes, rivers, and streams and to protect groundwater from degradation. These activities protect public health and thereby help to ensure that children and families have access to safe and reliable water sources. By tracking pesticide concentrations over time in surface water and groundwater we are able to take necessary actions to ensure sustained water quality for the next generation of Minnesotans.

Equity and Inclusion:

Results from pesticide monitoring are publicly available and are useful for identifying different geographic areas or populations that may be at risk for pesticide exposure through water. This program protects public health for all Minnesotans by improving our knowledge and understanding of changing water quality conditions. The MDA does not believe this proposal will adversely impact any disadvantaged communities.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐ Yes

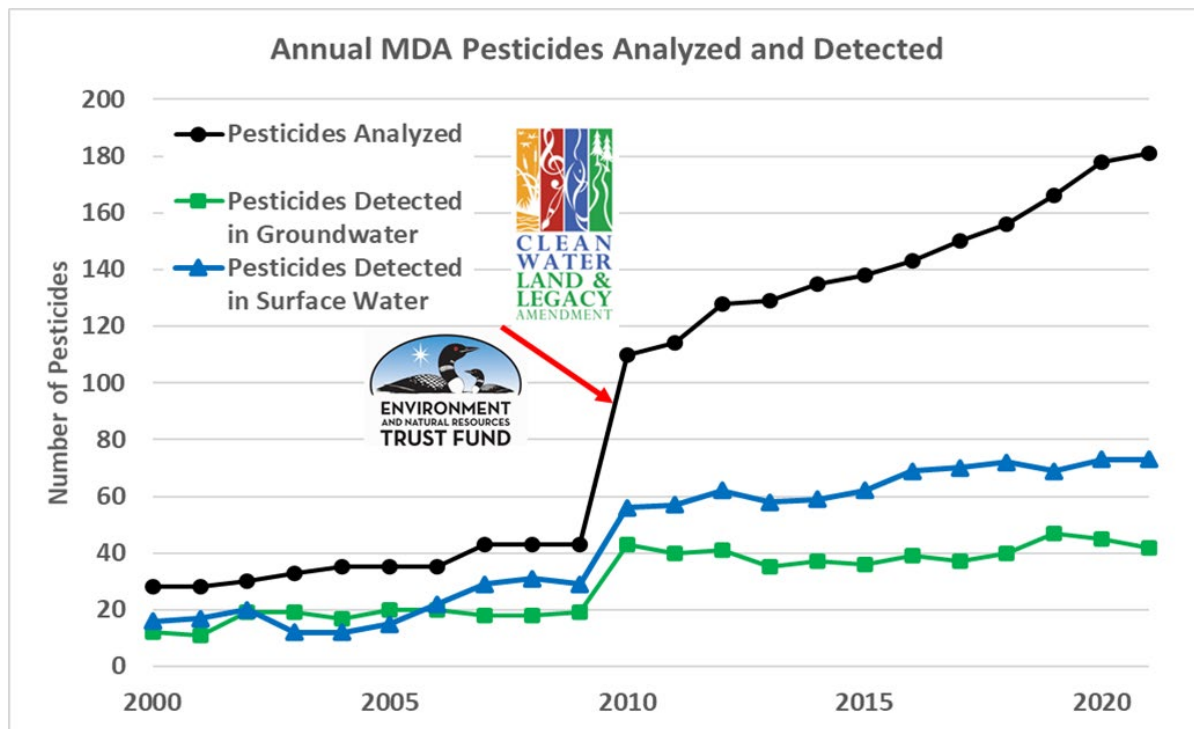
☒ No

Although not anticipated to have a substantial direct effect on one or more of the Minnesota Tribal governments, the increased analytical capacity does allow the MDA to provide pesticide testing of tribal water bodies through the National Lakes Assessment in coordination with the MPCA and EPA. The MDA has also conducted groundwater and surface water monitoring on tribal lands when requested by tribal entities. All tribal related monitoring activities are coordinated through the MDA Tribal Liaison and with the appropriate tribal officials. Results of water quality samples collected from tribal lands are shared with the appropriate tribal officials.

Results:

Clean Water Funds (CWF) have supported an increase in the number of detectable pesticides from 44 in 2009 to 181 in 2021 (before CWF). It has also increased the number of pesticide samples collected annually which will vary based on the climatic conditions occurring from year-to-year. In 2021 fewer samples were collected because of drought conditions in many parts of the state. The MDA conducts trend analysis on several pesticide compounds annually. Results are summarized in an annual monitoring report and available on the Minnesota Department of Agriculture's website (<https://www.mda.state.mn.us/pesticide-monitoring-reports>) and shared in various presentations and other outreach events. Due to the high value placed on water resource protection by Minnesotans the MDA pesticide monitoring program has grown to represent one of the most comprehensive monitoring programs in the nation. This funding helps sustain that achievement.

The figure below illustrates the impact Clean Water Funds have had on the number of different pesticides compounds the MDA Laboratory is capable of analyzing for (black line). It also presents the number of pesticide compounds detected in surface water (blue line) and the number of pesticides detected in groundwater (green line) by year.



The table below presents the performance measures that are tracked over time as an indication of program effectiveness. The number of sample events is influenced by climatic conditions that occur during each year. This will influence several of the other metrics. The number of surface waterbody impairments relates to detections in rivers and streams that have violated state standards. The MDA actively works with pesticide users to mitigate pesticide issues in these waterbodies. Loss of this funding would significantly reduce the MDA Laboratory capacity and result in a reduction in MDA’s ability to effectively assess and respond to pesticide related water quality problems.

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Pesticide Monitoring Sample Events	205	886	838	773	898	960	941	941	1,050	957	972	838	714
# of Pesticide Samples Collected	950	1,517	1,346	1,304	1,463	1,557	1,516	1,688	1,906	1,819	1,909	1,586	1,379
# of Pesticide Analytes	43	110	114	126	129	135	138	143	150	155	166	178	181
# of Detected Pesticide Analytes in Groundwater	19	43	40	38	34	37	36	39	37	40	47	45	42
# of Detected Pesticide Analytes in Surface Water	29	56	57	62	58	59	62	69	70	66	69	73	73
# of Pesticide Analyses Completed	19,703	78,205	71,176	71,587	71,827	87,434	86,492	91,060	99,149	103,375	119,963	121,384	100,465
# of Pesticide Detections	2,312	5,298	4,832	3,990	4,335	4,784	4,472	4,839	4,891	6,188	7,605	7,274	4,365
# of Pesticide Surface Waterbody Impairments	2	2	2	3	3	5	3	5	10	10	14	14	14

Statutory Change(s):

No statutory changes are proposed.

Public and Stakeholder Engagement:

This proposal has been through an extensive review process by the Clean Water Council (Council) and is recommended by the Council. The Council was created to advise the Legislature and the Governor on the administration and implementation of the Clean Water Fund (from the Clean Water Land and Legacy Amendment). The Council consists of 27 members- 17 voting and 10 non-voting. Voting members represent fishing, environmental, farm, hunting, and business organizations, city, county, and tribal governments, nonprofits, township officers, soil and water conservation districts, and watershed districts. Council members attend meetings, provide input, and share feedback on funding needs and priorities and on specific funding proposals from the stakeholder group they represent.

The Council conducted two public comment periods as part of their detailed review of clean water fund proposals. Stakeholder input is an important part of their project selection process. Fifty-nine different entities submitted 100 pages of written comments on the Council's draft Clean Water Fund recommendations for FY24-25. The Council reviewed these comments at their August 15, 2022 meeting and also received input during the meeting from members of the public.

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: Clean Water Fund – Research Inventory Database

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	\$40	\$40	0	0
Revenues	\$40	\$40	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	0.6	0.6	0	0

Recommendation:

The Governor recommends a FY2024-25 Clean Water Fund appropriation of \$80,000 for continuation of funding for the Minnesota Water Research Digital Library (MNWRL). This funding will support a user-friendly, searchable inventory of water research relevant to Minnesota. The library provides one-stop access to all types of water research, enabling users to easily find, share, and coordinate research to support their efforts to protect, conserve, manage and restore water in Minnesota. This funding will support MDA staff to administer MNWRL.

This proposal represents less than 1% of the Minnesota Department of Agriculture's (MDA) Clean Water Fund request for FY24-25.

Rationale/Background:

Water research that is relevant to Minnesota may not be easy to access or available to water resource professionals who could use this information. The Minnesota Water Research Digital Library is a user-friendly, searchable inventory of water research relevant to Minnesota. It includes both peer reviewed articles as well as white papers and reports. The library provides one-stop access to all types of water research.

This proposal is recommended and supported by the Clean Water Council.

Proposal:

The MNWRL includes over 3,440 diverse research articles and scientific reports. The MNWRL is intended to provide easy access to a broad collection of water research. The MDA will provide support and training for partner organizations and conduct intensive outreach to Minnesota's water and research organizations and communities that use this resource.

Impact on Children and Families:

Clean water and in particular clean drinking water is extremely important to ensure healthy and successful children and families. Contaminated groundwater and surface water can have a very significant impact on individual health and can also restrict economic and recreational activities for many communities. Clean Water Funded activities must protect, enhance, and restore water quality in lakes, rivers, and streams and/or protect groundwater from degradation. The proposal will provide free access to research and studies that aim to protect and improve water quality. The information is available to environmental professionals and all community members and will ensure the greatest use and value for clean water related projects and studies conducted in Minnesota. This proposal will help to protect public health and thereby ensure that children and families can pursue a healthy life.

Equity and Inclusion:

Clean water and in particular clean drinking water is an equity issue. All people in Minnesota have a right to clean and safe drinking water. The proposal will provide free access to research and studies that aim to protect and improve water quality. The information is available to environmental professionals and all community members and will ensure the greatest use and value for clean water related projects and studies conducted in Minnesota. The MDA does not believe this proposal will adversely impact any disadvantaged communities.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

- ☐ Yes
☒ No

IT Costs

This is not an IT proposal.

Results:

There are three primary performance measures for this program:

- An increase in the number of documents available and accessible in the MNWRL database
 - This user-friendly searchable inventory provides agency staff, researchers, water planners, and the public with fast access to all types of research relevant to water management in Minnesota. The inventory has grown steadily from its base of over 2,700 articles in FY 18 to over 3,440 articles currently, increasing the utility of research that was previously scattered across many websites, reports, and journals.
- An increase in the number of user visits over time
 - To fulfill the mission of the library to support research and planning on water related topics, it is important to provide useful information to a growing user base. In FY18 there were approximately 1,076 visits to the MNWRL website. In FY22 there were approximately 3,735 visits to the MNWRL website.
- An increase in the number of document downloads from the MNWRL website over time
 - Although not every user will likely need to download a document (the website provides reading functionality), we do consider downloads as another performance measure of the library's usefulness. In FY18 there were approximately 254 downloads from the website and in FY22 there were approximately 873 downloads from the website.

This work will not continue without support from the Clean Water Fund.

Statutory Change(s):

No statutory change is required.

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: Clean Water Fund – AgBMP Loan Program

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Clean Water Funds				
Expenditures	3,250	3,250	0	0
Revenues	3,250	3,250	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	.43	.43	0	0

Recommendation:

The Governor recommends a transfer of \$3.25 million in FY2024 and \$3.25 million in FY2025 from the Clean Water Fund to the Agricultural Best Management Loan Program (AgBMP) account in the Miscellaneous Special Revenue Fund to provide low-interest loans for eligible activities that reduce, prevent or eliminate water pollution. The program is administered by local governments, has very low transaction costs, and repayments fund additional projects. The funding would allow for additional projects or practices that help reduce, eliminate or prevent water pollution to be funded each year as the local demand for Ag BMP loans greatly exceeds available funding. The AgBMP Loan Program is requesting \$6.4 million to increase lending capacity of the program for projects and practices and \$100,000 for administrative costs. The AgBMP Loan program represents 32% of the Minnesota Department of Agriculture's (MDA) Clean Water Fund request for FY24-25.

Rationale/Background:

AgBMP loans can be used for the implementation of any practice that reduces water pollution. The purpose is to encourage agricultural best management practices that prevent or reduce runoff from feedlots, farm fields and other pollution problems identified by the county in local water plans. The program is administered by local governments and local loaning institutions and has extremely low administration costs. Loans are repaid into the corpus of the account and will be available for future clean water projects regardless of the renewal of the clean water fund. Repayments are guaranteed by our partnering lenders. Since 1996 there has been no defaults to the MDA AgBMP Loan Program by lenders.

This proposal would reduce the funding shortfall for the AgBMP Loan Program. There are many counties requesting additional funding to finance eligible but unfunded projects. (The 2020, 2021, and 2022 local government requests exceeded available funding by an average of \$25 million dollars each year.) This proposal would allow these counties to approve more projects than what their current available funding allows. If additional funds are not made available, local governments must delay or deny projects that would otherwise be completed.

This proposal is being recommended by the Clean Water Council.

Proposal:

This request of \$6.5 million will be split between \$6.400 million to be added to the AgBMP Loan Program's revolving lending account and \$100,000 for administrative costs. It will immediately increase the AgBMP Loan Program's existing lending capacity by \$6.4 million with future repayments increasing by about \$1.466 million annually in repayment revenue per year. Fiscal Year 2021 loan activity was about 600 loans totaling \$12.7 million. Based on the observed loan activity and practice categories, a \$6.4 million appropriation would likely result in

approximately 367 additional loans over the next few years and increase projects in subsequent years as the funds revolve. As a revolving loan fund, repayments received are made available to re-lend, creating a perpetual cycle for financing water quality projects.

This proposal is complimentary with grants and other loans from the Department of Agriculture, lenders or other state and federal government agencies and can be used as a financial match for other programs.

Impact on Children and Families:

Clean water and in particular clean drinking water is extremely important to ensure healthy and successful children and families. Contaminated groundwater and surface water can have a very significant impact on individual health and can also restrict economic and recreational activities for many communities. Clean Water Funded activities must protect, enhance, and restore water quality in lakes, rivers, and streams and/or protect groundwater from degradation. AgBMP loans will be used to fund projects and activities that will prevent or mitigate contamination of surface and groundwater. This will help protect public health and thereby ensure that children and families can pursue a healthy life.

Equity and Inclusion:

Clean water and in particular clean drinking water is an equity issue. All people in Minnesota have a right to clean and safe drinking water. This proposal will finance loans to address any impact to water quality and may help economically disadvantaged communities by offering low to 0% interest loans. The proposal will help to protect and improve water quality and will benefit all community members. In addition, clean water is a central issue for respecting and supporting the cultural heritage of tribal members and governments. The MDA does not believe this proposal will adversely impact any disadvantaged communities.

Tribal Consultation:

This program does not specifically target any group but is open to all that qualify within Minnesota.

☐ Yes

☒ No

Statutory Change(s):

No statutory changes required.

Results:

As of 12/31/2021, the AgBMP Loan Program used Clean Water Funds to finance 2,134 loans totaling \$29,383,239. By practice type, 196 loans were for agricultural waste management projects, 980 for structural erosion control measures, 63 for conservation tillage equipment, 828 for septic systems upgrades, and 67 for all other types of practices. At this time the program has leveraged \$29,193,001.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Current Value</i>	<i>Date</i>	<i>Projected Value (without)</i>	<i>Projected Value (with)</i>	<i>Date</i>
Quantity	Total Number of loans issued	2,134	2021	3,024	3,656	2026
Quantity	Total amount of loans issued	\$29,383,239	2021	\$41,526,000	\$52,526,000	2026
Quantity	Total Dollars leveraged	\$29,193,001	2021	\$41,371,750	\$52,371,750	2026

Performance measures are collected annually and reported on the Legislative Coordinating Commission's (LCC) website, shared in activity forms and in presentations to the Clean Water Council, and within the Biannual AgBMP reports which show the number of projects or practices that received loans within this program that assisted with phosphorus, nitrogen and sediment reduction.

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: Clean Water Fund - Agricultural Research and Evaluation

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	\$750	\$750	0	0
Revenues	\$750	\$750	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	0.4	0.4	0	0

Recommendation:

The Governor recommends a FY2024-25 Clean Water Fund appropriation of \$1,500,000 to evaluate, develop, and demonstrate regional and animal-specific recommendations for manure crediting, and to develop or revise manure best management practices (BMPs) for Minnesota. Water quality and climate change benefits can be achieved by improving manure handling and refining estimates of manure nutrient content to properly credit for the nutrient value of various types of manure and crop nutrients need. Research and demonstration projects will be supported by the University of Minnesota-Extension manure management specialist position.

The Agricultural Research and Evaluation proposal represents 4% of the Minnesota Department of Agriculture's (MDA) Clean Water Fund request for FY24-25.

Rationale/Background:

Proper accounting and crediting of nutrients from manure is a significant factor to reduce nitrogen and phosphorus losses to surface water and groundwater. Improving manure management benefits soil health, reduces greenhouse gasses, and adds value to manure as a resource. Proper crediting of the nutrient content of manure will provide agronomic and financial benefits to the agricultural community and deliver water quality and climate change benefits.

Many of the current recommendations for manure are based on research that is more than 20 years old and, in some cases, does not represent current technology and livestock management practices. There is a critical need to review and update the research and consider regional and animal manure-specific recommendations. Applied research will focus on evaluating, developing, and demonstrating regional and animal-specific recommendations for manure crediting, and to develop or revise manure best management practices. Water quality benefits (and greenhouse gas emission reductions) can be achieved by proper crediting for the nutrient value of various types of manure. Increased research and demonstration activities will increase farmers confidence in the recommendations and result in reduced manure and commercial fertilizer inputs.

This proposal is recommended and supported by the Clean Water Council.

Proposal:

Funding is for applied research to support proper accounting and crediting of nutrients from manure and determining the right timing, rate, source and placement for applying manure to cropland to maximize nutrient uptake by the crop. This will reduce the potential for nutrients to be converted to greenhouse gases, or leach to

groundwater or for surface water runoff. Funding will also support regional demonstration sites to build awareness and increase adoption of manure handling best management practices in the state.

This project will include support for new research and demonstration projects at the University of Minnesota in coordination with other partners and increase resources for the University of Minnesota and MDA to work together with the agricultural community to increase on-farm manure testing, establish sampling guidance, and work with directly farmers to ensure manure is applied based on sound agronomic principles.

The goal is to provide farmers with accurate information to support precise use of manure which will improve water quality and increase farmer's profitability by:

- **Promoting manure crediting** so manure can be applied based on accurate information about nutrient content and agronomic crop needs,
- **Encouraging the application of manure at the right rate, time, and location** so the crop can better utilize the nutrients,
- **Reducing the amount of crop nutrients left in the soil** after crop harvest to reduce nitrate leaching and runoff into surface water and groundwater,
- **Reducing the risk of pathogen loss** to surface water, and
- **Improving the utilization of manure nutrients**, thereby lowering the need for commercial fertilizer.

Most of the funding will be passed through to the University of Minnesota- Extension to complete this work. That funding is used to support researchers, technical and administrative support staff, and students, as well as associated equipment and supplies. The remaining funds will be used for MDA staff (0.4 FTE) to coordinate the Agricultural Research and Evaluation Program.

Impact on Children and Families:

Clean water and in particular clean drinking water is extremely important to ensure healthy and successful children and families. Contaminated groundwater and surface water can have a very significant impact on individual health and can also restrict economic and recreational activities for many communities. Clean Water Funded activities must protect, enhance, and restore water quality in lakes, rivers, and streams and/or protect groundwater from degradation. This proposal will help to protect public health and thereby ensure that children and families can pursue a healthy life.

Equity and Inclusion:

Clean water and in particular clean drinking water is an equity issue. All people in Minnesota have a right to clean and safe drinking water. This proposal will help to reduce nitrate levels in groundwater and will help economically disadvantaged communities that may be less likely to test private wells or treat drinking water. The proposal will help protect and improve water quality and will benefit all community members. In addition, clean water is a central issue for respecting and supporting the cultural heritage of tribal governments and members.

The MDA does not believe this proposal will adversely impact any disadvantaged communities.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

- ☐ Yes
- ☒ No

Results:

Performance measures for this proposal will be new and may include number of research and demonstration sites established, number of revised or new regional manure management BMPs developed, number of outreach events including number of participants and acres represented. Additional measures may include the number of acres adopting new manure management BMPs and the estimated reduction of nutrients and pathogens in surface and groundwater.

Statutory Change(s):

This proposal will not require statutory change.

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: Clean Water Fund - Conservation Equipment Assistance

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	1,750	1,750	0	0
Revenues	1,750	1,750	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	1.25	1.25		

Recommendation:

The Governor recommends a FY2024-25 Clean Water Fund appropriation of \$3,500,000 to fund conservation equipment grants that have been developed through the Soil Health Financial Assistance Pilot Program.

The Soil Health Financial Assistance Program (SHFAP) has been piloted to support and meet a Healthy Soil Management Plan for the state of Minnesota through the voluntary implementation of soil health management. Individual farmers, agricultural trade and member organizations, conservation interests, and prominent food-system corporations have all specified that a primary obstacle to soil health implementation is access to financial support for specialized equipment and machinery necessary for successful and efficient adoption of soil health practices. Soil health means the overall composition of the soil, including the amount of organic matter stored in the soil, and the continued capacity of soil to function as a vital living ecosystem that sustains plants, animals, and humans.

This recommendation is to support the need and demand for equipment grants beyond the \$500,000 appropriation to pilot the SHFAP and would equate to 9% of the Minnesota Department of Agriculture's (MDA) Clean Water Fund request for FY24-25.

Rationale/Background:

Healthy soil is fundamental to the economic and environmental sustainability of Minnesota's agricultural lands and industry. This is recognized and formally established in the State of Minnesota's planning and policies. The State Water Plan (<https://www.leg.mn.gov/docs/2020/mandated/200899.pdf>) sets Soil Health as the Goal 2.

Strategy 1. priority, further stating:

Healthy soil provides many benefits:

- It contains organic matter that retains water, reducing runoff and the need for structural water storage.
- It increases the availability of water to plants, which can increase yield and improve resilience to dry spells, reduce the need for supplemental irrigation, reduce the speed and volume of runoff, and reduce nutrient losses into surface water and groundwater.
- It can store large amounts of carbon, which means that soil health improvements have great potential to reduce greenhouse gas emissions across Minnesota's 20 million acres of cropland.

In addition, the State Water Plan Goal 2 Action 1.4 specifically states:

Invest in regional equipment purchasing and sharing programs for agricultural cooperatives or SWCDs to reduce the burden of investing in cover crop and perennial/small grain planting and harvesting equipment.

The Minnesota Nutrient Reduction Strategy (<https://www.pca.state.mn.us/sites/default/files/wq-s1-80.pdf>) also names Soil Health as a designated strategy, stating in part that:

Improved soil health will sustain soil productivity for future generations, absorb and hold rainwater for use during drier periods, filter and buffer nutrients and sediment from leaving the fields, increase crop productivity, and minimize the impacts that severe weather conditions can have on food production and environmental quality. Thus, the benefits of making widespread changes to cropland management, as outlined in this strategy, extend beyond water quality improvement, and include protecting our soil productivity for future generations.

Minnesota's Climate Action Framework (<https://climate.state.mn.us/sites/climate-action/files/Climate%20Action%20Framework.pdf>) additionally cites soil health in Goal 2 as a priority initiative:

Healthy Farmland

Accelerate soil health and nitrogen and manure management practices that reduce emissions and enhance carbon storage, water quality, and habitat.

Individual farmers, agricultural trade and member organizations, conservation interests, and prominent food-system corporations all seek greater emphasis on soil health. Those groups have specifically identified access to specialized equipment and machinery necessary for successful and efficient adoption of soil health practices as a barrier to greater expansion of soil health in Minnesota. This equipment grant funding will directly address this central obstacle to achieving the recommended strategies and desired goals for Minnesota agriculture and will provide the basic means for securing healthy soil to sustain our State's economy and environment.

Proposal:

The SHFAP was established as a pilot project at the Minnesota Department of Agriculture beginning FY23 with a \$500,000 general fund appropriation with spending authority expiring 6-30-24. This new soil health equipment grant funding recommendation will function with existing FTEs. This recommendation includes the ability to apply direct costs for administration of the program not to exceed 6.5% of total appropriation.

Examples of soil health equipment grant funding may include:

- purchase of new or used equipment
- purchases of parts and materials to modify equipment
- other equipment purchases or financial assistance deemed appropriate by the Commissioner to fulfill the intent of statute

Eligible parties may include any owner or lessee of farmland, local government units, including cities, towns, counties, soil and water conservation districts, Tribal nations, and joint powers boards. Grant applicants may apply to share equipment purchased with grant funding. Applicants for equipment purchase grants issued under this grant program may be farm or ranch operations coordinating as individual businesses or as formal cooperative ventures serving farm or ranch operations. A local government unit that receives a grant for equipment or technology must make those purchases available for use by the public.

The grant program may prioritize or weight proposals based on consideration that applications:

- Support a soil health principle or principles.
- Type and expected number of acres of soil health management.

- Support a Minnesota Agricultural Water Quality Certification Program (MAWQCP) certified farm, or a farm seeking MAWQCP certification.
- Reduce or avoid greenhouse gas (GHG) emissions.
- Support other complimentary public or private programs or initiatives as determined by the Commissioner, including programs and projects of the Board of Water and Soil Resources, the Natural Resources Conservation Service, and others; or support other priorities.

This recommendation will directly act upon the identified challenges to expanding soil health efforts in Minnesota and will further the specified goals and strategies contained in the State's water plan, nutrient reduction strategy, emission reduction targets, Climate Action Framework, and other established objectives. Further, the proposal and grants are coordinated among partner agency efforts on soil health, particularly the Board of Water and Soil Resources and the federal Natural Resources Conservation Service. The improved productivity and resiliency rewards from increasing soil health will also further the economic performance of individual farms, the broader agricultural and associated industries, and ultimately the availability and reliability of food access for consumers.

Impact on Children and Families:

This recommendation directly serves the purposes of the Minnesota state water plan, nutrient reduction strategy, Climate Action Framework, the statutory GHG emission reduction targets of the 2007 Next Generation Energy Act, and other economic and environmental objectives of the State. In so doing the program will further protections of drinking water supplies and other water quality goals, resiliency to climate-derived challenges to food production and availability, and other benefits relative to fundamental needs of Minnesota children and families.

Equity and Inclusion:

The MDA does not believe this proposal will adversely impact people of color, Native Americans, people with disabilities, people in the LGBTQ community, other protected classes, or veterans. Further, the Minnesota Climate Action Framework that informs this project includes equity and inclusion considerations which will be adopted here as applicable.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐ Yes

☒ No

Results:

The SHFAP equipment grant funding includes performance measurement and reporting requirements, with the commitment for an initial report due January 1, 2024 and every two years thereafter. The MDA shall report to the legislature and the governor on the performance of the program, including:

- List of projects by year.
- List of acres impacted by year.
- List of grant funds awarded by year.
- List of funds leveraged, including any federal or other state financial resources, private participant contributions and cost share matching, landowner contributions, and other sources.
- Calculated outcomes, including means of calculation, by year for:
 - GHG emissions reduced by projects.
 - Carbon-equivalencies sequestered by projects.
 - Practice-based estimates for reductions in soil loss, nutrient loss, sediment delivery, and other indicators as available.

Type of Measure	Name of Measure	Current Value	Date	Projected Value (without)	Projected Value (with)	Date
Quantity	Number of new acres managed under soil health principles, and cumulative outcomes (reductions in GHG emissions, soil loss, nutrient loss, and sediment; increase in soil organic matter and carbon sequestered).	N/A (new project, no grants have yet been awarded)	10-3-22	Anticipated range for acres managed under \$500K total of equipment grants is 500 to 2,000 acres per grant.	Anticipated range for acres managed under \$2 million annual award will be 4 times greater on annual basis.	1-1-24
Quality	Total grants successfully issued and properly completed in supporting the structure and goals of the Healthy Soil Management Plan (scheduled to be completed in 2024).	N/A (new project, no grants have yet been awarded)	10-3-22	Maximum of <\$500,000 in total grant awards	Maximum of <\$2 million total grant awards annually.	1-1-24
Results	Biennial report (originating with January 1, 2024 release)	N/A (new project, no grants have yet been awarded)	10-3-22	Report due 1-1-24	Report due 1-1-24	1-1-24

Statutory Change(s):

No statutory change is required.

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: Clean Water Fund – Expand Minnesota Ag Weather Station Network

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	1500	1500	0	0
Revenues	1500	1500	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	2	2	0	0

Recommendation:

The Governor recommends a FY2024-25 Clean Water Fund appropriation of 3,000,000 to expand the existing state weather station and soil temperature network to provide accurate local weather data across the farming areas of Minnesota. The new stations will be linked to a well-established network and widely trusted source for accurate, detailed local weather data. The weather station network expansion will allow more agricultural producers to utilize the weather network tools to better guide agronomic decisions.

Accurate and timely weather data will help farmers optimize the timing of irrigation, fertilizer and pesticide applications, and other inputs and help reduce the risk from adopting new environmentally friendly practices to promote soil health and vegetative cover. This will result in improved surface water and groundwater quality.

This proposal was developed at the request of the agricultural community in Minnesota. It represents 8% of the Minnesota Department of Agriculture's (MDA) Clean Water Fund request for FY24-25.

Rationale/Background:

This proposal is to expand the existing Minnesota Ag Weather Network statewide. The Minnesota Ag Weather Network provides access to real-time local weather data (5-minute intervals) including precipitation, temperature (max/min), wind direction and speed, peak gust, humidity, dew point, four-inch bare and turf soil temperature, and solar radiation at each individual weather station. This information allows producers to more effectively manage water usage, reduce leaching, and appropriately time crop nutrient and chemical applications. Precise local weather data is necessary to support the adoption of many recommended vegetative cover, nutrient, and soil management practices.

Establishing weather stations across all agricultural land will give farmers the local information they need to make the best possible agronomic decisions regarding planting dates, crop protection chemical application timing, and other in-field activities. This detailed local information will create opportunities to reduce nutrient and chemical applications. More precise information on disease risk due to weather conditions means farmers can delay disease prevention applications until risk is high in their area. The inversion alert system will help private and commercial pesticide applicators respond quickly to changing local conditions and minimize risk of spraying in adverse weather conditions which can cause pesticide drift and impact water resources and pollinators. Evapotranspiration data is vital to determining crop water needs and scheduling timely irrigation applications. Accurate soil temperature data is used for determining when to apply fertilizer to minimize leaching. Good weather data is critical to effective management practices to protect surface water and groundwater resources. This proposal is recommended and supported by the Clean Water Council.

Proposal:

This proposal will support MDA's ongoing efforts to provide farmers the real-time local weather information they need to make the best possible agronomic decisions regarding planting dates, nutrient and crop protection chemical application timing, irrigation scheduling and other in-field activities. This detailed local information will create opportunities to reduce chemical applications. More precise information on disease risk due to weather conditions means farmers can delay disease prevention applications until risk is high in their area.

In addition, local weather information from agricultural settings is beneficial for:

- Assessing and forecasting the impact of precipitation, snow melt, and soil temperature on manure application and risk to runoff.
- Soil temperature information is key to following best management practices for fall nitrogen fertilizer application.
- The inversion alert system as well as known wind speed and direction will help private and commercial pesticide applicators respond quickly to changing local conditions and minimize risk of spraying in adverse weather conditions.
- Evapotranspiration data is vital to determining crop water needs and scheduling timely irrigation applications. This is critical to effective management of groundwater resources.
- There are also many uses beyond the agricultural community such as the National Weather Service and municipalities using winter precipitation data to better predict potential flood conditions.

This proposal was developed at the request of the agricultural community in Minnesota who strongly supports expanding the weather station network. The Minnesota Ag Weather Network will expand through a partnership with the MDA and the North Dakota Ag Weather Network (NDAWN). Utilizing the existing partnership with NDAWN would reduce costs and reduce the time needed to build a statewide network. Funding for this proposal will be invested in weather station equipment, supplies, and operating costs and support for staff at the MDA (2 FTEs) and NDAWN (1 FTE).

Impact on Children and Families:

Clean water and in particular clean drinking water is extremely important to ensure healthy and successful children and families. Contaminated groundwater and surface water can have a very significant impact on individual health and can also restrict economic and recreational activities for many communities. Clean Water Funded activities must protect, enhance, and restore water quality in lakes, rivers, and streams and/or protect groundwater from degradation. This proposal will help to protect public health and thereby ensure that children and families can pursue a healthy life.

Equity and Inclusion:

Clean water and in particular clean drinking water is an equity issue. All people in Minnesota have a right to clean and safe drinking water. This proposal will help to more precisely management inputs to reduce nitrate levels in groundwater and will help economically disadvantaged communities that may be less likely to test private wells or treat drinking water. The proposal will help protect and improve water quality and will benefit all community members. In addition, clean water is a central issue for respecting and supporting the cultural heritage of tribal governments and members. The MDA does not believe this proposal will adversely impact any disadvantaged communities.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐ Yes

☒ No

Results:

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Current Value</i>	<i>Date</i>	<i>Projected Value (without)</i>	<i>Projected Value (with)</i>	<i>Date</i>
Results	Number of weather stations supported and availability of data to irrigators	14 weather stations located in MN and 17 websites and 2 mobile apps utilize this data. Ten (10) counties use weather data as part of an online irrigation scheduling tool in Central MN that is then accessed by individual farmers	2022	No change from 2022	A minimum of 54 weather stations located in MN and 57 websites and 2 mobile apps utilize this data statewide. Additional counties use weather data as part of an online irrigation scheduling tool in Central MN that is then accessed by individual farmers.	2025

Statutory Change(s):

No statutory changes are anticipated with this request.

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: Clean Water Fund - Forever Green Initiative

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	\$3000	\$3000	0	0
Revenues	\$3000	\$3000	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	0	0	0	0

Recommendation:

The Governor recommends a FY2024-25 Clean Water Fund appropriation of \$6,000,000 for continuation of funding for the Forever Green Initiative at the University of Minnesota for research, implementation, and partnership development. Funding will be used for 1) empirical research related to crop breeding, genetics, genomics, agronomy, food science, and economic aspects of Forever Green crops; 2) implementation of these new crops in targeted, critical areas of the landscape, including wellhead protection areas; and 3) to support working relationships between public, private and non-profit sectors that are critical to development of new production systems that feature perennial and winter annual crops. Each of these areas of effort are necessary, and each will leverage the others.

The Forever Green Initiative proposal represents 16% of the Minnesota Department of Agriculture's (MDA) Clean Water Fund request for FY24-25.

Rationale/Background:

The Forever Green Initiative develops new perennial and winter annual crops and associated cropping systems that preserve and enhance water quality, mitigate and create resiliency to climate change, and supports the development of new supply chains that provide profitable markets for these crops. Forever Green activities are critical to increasing vegetative cover in Minnesota and address many of the strategies outlined in the Clean Water Council's Strategic Plan. Implementation of continuous living cover crops and cropping systems, are listed as actions in the MN Climate Action Framework and the State Water Plan as well. Funding will support the Forever Green Initiative in areas related to crop research, implementation and supply chains, and partnership development.

The Forever Green Initiative (FGI) brings together researchers from multiple departments including plant breeding, agronomy, food science, and economics. FGI's goal is to develop new high-value commodity crops and cropping systems that preserve and enhance water quality, and to support development of new supply chains that provide profitable markets for these crops. Examples of FGI crops include intermediate wheatgrass (Kernza®), pennycress, camelina, and winter barley. The crops listed, and others in the FGI portfolio, are now ready for a focused effort to accelerate their commercialization and wide adoption through a concerted and strategic public-private effort. Many of the new FGI crops could fit into a corn and soybean rotation to provide soil and water protection and new economic opportunity for rural Minnesota. Perennial crops provide continuous cover on the land, while winter annuals and cover crops grow between the time when annual crops are harvested in the fall and a new planting is established in the spring. This is the time when fields are bare and most vulnerable to erosion and nutrient loss.

Proposal:

This is a continuation of funding for Forever Green Initiative at the University of Minnesota. Funding for Forever Green will provide research on new crops and systems that are protective of water quality. Funds will also be used for implementation of those crops. The MDA will work with researchers at the University of Minnesota and local partners (SWCDs, cities, counties, etc.) to identify opportunities to get perennials and winter annuals out onto vulnerable areas of the landscape. Priority will be given to areas with vulnerable groundwater or surface water and where leverage of other public and private funds are available.

Funding will be 100% pass through to project partners at the University of Minnesota. All staff time at the MDA is considered in-kind and no charges will be assessed.

Impact on Children and Families:

Clean water and in particular clean drinking water is extremely important to ensure healthy and successful children and families. Contaminated groundwater and surface water can have a very significant impact on individual health and can also restrict economic and recreational activities for many communities. Clean Water Funded activities must protect, enhance, and restore water quality in lakes, rivers, and streams and/or protect groundwater from degradation. This proposal will help to protect public health and thereby ensure that children and families can pursue a healthy life.

Equity and Inclusion:

New Forever Green crops and continuous living agriculture will deliver significant environmental benefits for soil, water, wildlife, and climate, as well as spur new social and economic opportunities for farmers, rural and urban communities, and citizens. In order to maximize support for resilient regional supply chains and food systems, these funds will prioritize support for BIPOC growers and entrepreneurs, new and beginning farmers and businesses, and small to mid-scale enterprises. These new crops may provide an opportunity for new and emerging farmers as an entry to farming. MDA has developed an Emerging Farming Programs to facilitate this.

The MDA does not believe this proposal will adversely impact any disadvantaged communities.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐ Yes

☒ No

Results:

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Current Value</i>	<i>Date</i>	<i>Projected Value (without)</i>	<i>Projected Value (with)</i>	<i>Date</i>
Quantity	Number of FGI research projects funded	51	2021	51	65	2026
Quantity	Acres of Kernza planted	1,500	2021	500	6,500	2026
Quantity	Number of MN farmers planting Kernza	45	2021	20	150	2026
Quantity	Number of MN farmers planting winter oilseed (ex. winter camelina, pennycress)	100	2021	150	250	2026

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Current Value</i>	<i>Date</i>	<i>Projected Value (without)</i>	<i>Projected Value (with)</i>	<i>Date</i>
Quantity	Acres of MN winter oilseed planted (includes cover crop and cash cover crop acres)	5,000	2021	10,000	25,000	2026
Quantity	Acres of other FGI winter annuals planted (acres) (ex. hybrid winter rye, winter barley, etc.)	10,000	2021	15,000	20,000	2026
Quantity	Acres of FGI woody perennials (ex. Elderberry, hybrid hazelnut)	150	2021	250	400	2026
Quantity	Number of FGI crop businesses (ex. co-ops, seed dealers, millers)	~6	2021	3	20	2026
Quantity	Number of FGI crop products (ex. bread, crackers, pasta, beer, cooking oil, seed, meal, feed, biofuels, biopolymer, etc.)	~15	2021	5	35	2026
Results	Dollars leveraged (non-CWF funding including state federal, foundations, industry and the U of M)	\$122 M	2010 -- 2022		Depends on grants and other funding opportunities	2026

Performance measures are collected annually and reported on the Legislative Coordinating Commission's (LCC) website, shared in activity forms and in presentations to the Clean Water Council, and incorporated into presentations, workshops, field days and other communication materials. Information about this program is available at: <https://www.mda.state.mn.us/protecting/cleanwaterfund/forevergreen> and <https://www.forevergreen.umn.edu/>

Statutory Change(s):

This proposal will not require statutory change.

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: Clean Water Fund - Irrigation Water Quality Protection

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	150	150	0	0
Revenues	150	150	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	0	0	0	0

Recommendation:

The Governor recommends a FY2024-25 Clean Water Fund appropriation of \$300,000 for continuation of an irrigation water quality specialist who develops guidance and provides education on irrigation and nitrogen best management practices (BMPs). Many farmers, particularly those newly implementing irrigation or new irrigation technology, will benefit from increased education, training, and direct support. The irrigation specialist is located at the University of Minnesota - Extension.

Irrigation Water Quality Protection represents 1% of the Minnesota Department of Agriculture's (MDA) Clean Water Fund request for FY24-25.

Rationale/Background:

Irrigation of row crops is a potential source of nitrate in groundwater especially in the areas with coarse-textured (sandy) soils common in central Minnesota. There are many farmers, particularly those newly implementing irrigation, who would benefit from increased education on irrigation and nitrogen BMPs. Long-time irrigators benefit through the position's research and extension programming about new methods and technologies to conserve water and nitrogen. Funding supports an irrigation water quality specialist who develops guidance and provides education, outreach and promotion of irrigation and nitrogen fertilizer best management practices. Adoption of these practices will help to reduce nitrate-nitrogen leaching in irrigated agricultural fields. This position is located at the University of Minnesota -Extension.

This proposal is recommended and supported by the Clean Water Council.

Proposal:

Continued funding will support MDA's ongoing efforts and enable the implementation of irrigation BMPs to protect groundwater. Irrigation in Minnesota typically occurs on sandy soils which are highly vulnerable to groundwater contamination. Activities led by the Irrigation Specialist are critically important for protecting groundwater from a major source of nitrate contamination in sensitive areas. Nitrate is one of the contaminants of greatest concern in Minnesota's groundwater. Nitrate losses from irrigation of nitrogen demanding crops (such as corn, potatoes, and edible beans) is a potential source of nitrate in groundwater, especially in areas with sandy soils. Many farmers, particularly those newly implementing irrigation technology, will benefit from increased education, training, and direct support.

The need for an irrigation specialist was identified as a critical need by the irrigation community and other agricultural stakeholders to provide education and technical assistance on irrigation and nitrogen management.

The Minnesota Department of Agriculture passes all funding for an Irrigation Water Quality Specialist Position through to the University of Minnesota-Extension. Funding is used to directly support this position.

This proposal complements other work related to irrigation in Minnesota and is supported by many project partners. This includes the Department of Natural Resources (DNR), which utilizes this position to develop and promote practices to use water efficiently and thereby conserve groundwater. The position has also developed an irrigation endorsement where farmers who are certified through the Minnesota Agricultural Water Quality Certification Program receives training in conserving water and nitrogen. Lastly, this position was critical in helping the state secure a competitive \$3.5M federal grant for farmers to adopt irrigation technology in Minnesota. Funding for this position was used as the state's match funding which is a requirement for the grant.

Impact on Children and Families:

Clean water and in particular clean drinking water is extremely important to ensure healthy and successful children and families. Contaminated groundwater and surface water can have a very significant impact on individual health and can also restrict economic and recreational activities for many communities. Clean Water Funded activities must protect, enhance, and restore water quality in lakes, rivers, and streams and/or protect groundwater from degradation. This proposal will help to protect public health and thereby ensure that children and families can pursue a healthy life.

Equity and Inclusion:

Clean water and in particular clean drinking water is an equity issue. All people in Minnesota have a right to clean and safe drinking water. This proposal will help to reduce nitrate levels in groundwater and will help economically disadvantaged communities that may be less likely to test private wells or treat drinking water. The proposal will help protect and improve water quality and will benefit all community members. In addition, clean water is a central issue for respecting and supporting the cultural heritage of tribal governments and members.

The MDA does not believe this proposal will adversely impact any disadvantaged communities.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐ Yes

☒ No

Results:

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Current Value</i>	<i>Date</i>	<i>Projected Value (without)</i>	<i>Projected Value (with)</i>	<i>Date</i>
Quantity	Number of educational events (presentations, workshops, field days)	145	2022	145	175	2025
Quantity	Number of farmers, crop consultants, and co-op dealers participating in events	8,250 (estimate)	2022	8,250	10,000	2025
Quantity	Number of local government unit partners	20	2020	20	25	2025
Quantity	Number of new irrigation BMPs revised, developed and promoted online	3	2022	3	5	2025

Performance measures are collected annually and reported on the Legislative Coordinating Commission's (LCC) website, shared in activity forms and in presentations to the Clean Water Council, and incorporated into presentations, workshops, field days, blogs/podcasts, and peer-reviewed journal articles. Information about this position is available at: <https://www.mda.state.mn.us/node/1313> and technical and outreach materials are available at: <https://extension.umn.edu/soil-and-water/irrigation>.

Statutory Change(s):

No statutory changes are anticipated with this request.

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: Clean Water Fund - Pesticide Testing of Private Wells

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	500	500	0	0
Revenues	500	500	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	3	3	0	0

Recommendation:

The Governor recommends a FY2024-25 Clean Water Fund appropriation of \$1,000,000 for continuation of funding for Pesticide Testing of Private Wells that will target at risk private drinking water wells for the presence of pesticides. Funding is used to support water sample analysis through a private laboratory and staff positions to collect and assess private well water samples for the two herbicides cyanazine and atrazine and their associated break down products (degradates). The information is used to inform private well owners regarding potential pesticide risk associated with their drinking water. Some funding may be used for the installation of treatment systems for wells with pesticide concentrations over the drinking water standard. The MDA has evaluated treatment system effectiveness at locations with known pesticide contamination that demonstrate reverse osmosis systems are highly effective at removing these contaminants from water.

This recommendation represents approximately 3% of the Minnesota Department of Agriculture's (MDA) Clean Water Fund request for FY24-25.

Rationale/Background:

Data collected through this program from 2019 through 2021 indicates some private wells exceed the drinking water standard for total cyanazine in certain areas. The herbicide cyanazine has not been registered for use in Minnesota since 2002. In 2019, the MDA contracted for the synthesis of cyanazine degradates and worked with laboratories to develop analytical methods to test for these persistent environmental contaminants. With this funding, Minnesota now leads the nation in cyanazine degradate monitoring in groundwater. This funding will allow MDA to continue to collect pesticide samples from private drinking water wells in areas determined to be at risk. The continuation of this project will provide additional information on cyanazine and atrazine degradate presence in private wells around the state.

This proposal is recommended and supported by the Clean Water Council.

Proposal:

With this recommendation the MDA will continue to investigate the presence of pesticides in private wells focused on cyanazine and atrazine, and their the degradates. Previous work by MDA assessed pesticide presence in private wells targeting a much broader number of pesticides (up to 133 different pesticide compounds) in agricultural areas with vulnerable groundwater. That work indicated that the degradates of cyanazine and atrazine (11 pesticide compounds) represented the greatest pesticide related risk to private well drinking water. By reducing the number of pesticides, MDA will increase the number of wells sampled while specifically targeting the high-risk pesticides.

This project will provide additional information on the potential health risk from the presence of pesticides. This proposal requests additional funds to increase sample collection from approximately 800 samples per year to approximately 1,200 samples per year and may include water treatment mitigation for well owners over the Health Risk Limit for pesticides. There will be no cost to well owners who volunteer for sampling. Approximately 50% to 60% of the funding will pass through to a contract laboratory for pesticide analysis. The remainder will be used for approximately 3 FTE, supplies, equipment and travel related expenses. Clean Water Funding would allow for the continuation of these program activities. Without Clean Water Funding the program would be discontinued.

Impact on Children and Families:

This program will provide important information on drinking water quality in areas determined to be at risk for the presence of cyanazine degradates. Pesticide analysis is expensive (\$250/sample for this analysis) and is often confusing for well owners to understand how to collect samples, what to test for and where to find appropriate laboratories. The cost alone precludes many well owners from testing for pesticides. Coupled with that are concerns associated with having to pay for treatment if something is detected. The information collected as part of this request will aid in the protection of children and families by assessing their water quality for pesticide concerns and potentially offering mitigation options for safe drinking water for wells that are over the drinking water standard.

Equity and Inclusion:

Testing for pesticides in water is expensive typically costing \$200-\$500 or more per sample. Many well owners are unable or unwilling to test for pesticides or pay for treatment if pesticides are detected at levels of concern. This program will benefit homeowners who are underserved or with limited incomes because they cannot afford water testing or water treatment systems on their own. The MDA does not believe this proposal will adversely impact any disadvantaged communities.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

- ☐ Yes
☒ No

Although not considered a substantial direct effect at this time, there may be private drinking water wells targeted for sampling on the Prairie Island, Shakopee Mdewakanton and White Earth Nation tribal areas. Lands associated with these tribes are in areas that may be vulnerable to groundwater contamination from pesticides. All tribal contacts will be coordinated through the MDA Tribal Liaison and tribal representatives will be contacted before invite letters are sent to well owners.

Results:

Results will be quantified based on the number of wells sampled, number of pesticide detections, pesticide exceedances of standards and the number of treatment systems evaluated. Individual well owners will be notified of their results and reports will be produced summarizing the data for posting on the MDA website.

Private Well Pesticide Sampling Project	2021	2020	2019	2018	2017	2016	2015	2014
# of Private Wells Sampled for Pesticides Analysis	512	738	1,103	1,589	1,103	1,166	1,585	256
# of Pesticide Compounds Targeted	11	131	133	125	125	126	22	22
# of Pesticide Analyses Completed	5,632	96,678	146,699	198,625	137,875	147,546	34,870	5,632
# of Counties Sampled	5	12	20	6	10	6	8	1
# of Townships Sampled	51	57	77	79	66	63	57	19
# of Wells With a Pesticide Detection	480	619	789	1,328	704	888	6	0
Pesticide Detection Frequency (%)	94	84	72	84	64	76	<1	0
# of Detected Pesticide Compounds	9	54	53	53	52	53	3	0
# of wells exceeding drinking water standards	35	33	29	0	2	1	0	-
Detection Frequency above a Reference Value (%)	7	4	3	-	<1	<1	-	-
# of Water Treatment systems evaluated	12	16	18	4	1	-	-	-

Statutory Change(s):

No statutory changes are anticipated with this request.

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: Clean Water Fund - Technical Assistance

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	1500	1500	0	0
Revenues	1500	1500	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	7	7	0	0

Recommendation:

The Governor recommends a FY2024-25 Clean Water Fund appropriation of \$3,000,000 for continuation of funding for the Technical Assistance Program will provide technical assistance and on-farm demonstrations to support the adoption of conservation practices that protect and improve water quality. This funding helps ensure accurate scientific information is available and used to address water quality concerns in agricultural areas. Funding is used to evaluate conservation practices, share information about research and new technologies, and enhance outreach and education to the agricultural community and local government partners. Examples of projects include Discovery Farms Minnesota, Root River Field to Stream Partnership, Nutrient Management Initiative, and the Red River Valley Drainage Water Management site.

The Technical Assistance Program proposal represents 8% of the Minnesota Department of Agriculture's (MDA) Clean Water Fund request for FY24-25.

Rationale/Background:

Technical assistance activities are a primary vehicle to work with the agricultural community to promote best management practices. This funding is used to evaluate conservation practices, share information about research and new technologies, and enhance outreach and education to the agricultural community and local government partners. Technical assistance also fills an important need for field demonstration and validation of practices. The MDA uses on-farm, edge-of-field monitoring to assess sediment and nutrient loss at the field-scale and to evaluate the effectiveness of conservation practices and promote them with on-farm demonstrations. New and existing conservation practices are evaluated at these sites including cover crops, saturated buffers, controlled drainage, prairie strips, and nutrient management practices. The MDA works with many partners including universities, crop consultants, soil and water conservation districts, farmers, and other state agencies. Technical assistance and on-farm demonstrations promote the adoption of conservation practices protective of water quality.

This proposal is recommended and supported by the Clean Water Council.

Proposal:

MDA's technical assistance will continue support of on-farm demonstrations and enhance outreach and education to the agricultural community and local government partners. Demonstration projects evaluate the effectiveness of conservation practices and support collaboration with agricultural stakeholders and peer-to-peer learning among farmers. The MDA passes money through to local governments and supports the existing conservation delivery system. The MDA works closely with other agencies and multiple partners in the

agricultural community. This will include activities such as Discovery Farms Minnesota, Root River Field to Stream Partnership, Nutrient Management Initiative (NMI), and support for agricultural retailers/co-ops working with the 4R Nutrient Stewardship Certification program.

Continued funding for Technical Assistance will be invested similar to previous appropriations. In FY14-FY21, 20% of funding was passed through in grants and contracts. Recipients include local project partners (SWCDs), farmers, and landowners. Remaining funding supports salary and staff expenses (7 FTEs), lab analysis, equipment, supplies and travel related expenses.

Technical assistance activities are complimentary to other state agency work. The MDA maintains more than 25 active edge-of-field water quality monitoring stations around the state. This data is unique and otherwise not available. Edge-of-field data have been used for education/outreach and for a variety of the most commonly used computer simulations (PTMApp, Adapt-N, SWAT, and the Runoff Risk Advisory Tool). Data are used to support the impaired waters process and State's Watershed Approach and referenced in numerous Watershed Restoration and Protection Strategies (WRAPs) and One Watershed One Plans (1W1P).

Impact on Children and Families:

Clean water and in particular clean drinking water is extremely important to ensure healthy and successful children and families. Contaminated groundwater and surface water can have a very significant impact on individual health and can also restrict economic and recreational activities for many communities. Clean Water Funded activities must protect, enhance, and restore water quality in lakes, rivers, and streams and/or protect groundwater from degradation. This proposal will help to protect public health and thereby ensure that children and families can pursue a healthy life.

Equity and Inclusion:

Clean water and in particular clean drinking water is an equity issue. All people in Minnesota have a right to clean and safe drinking water. This proposal will help promote conservation practices that reduce sediment and nutrient losses from agriculture fields. The proposal will help to protect and improve water quality and will benefit all community members. In addition, clean water is a central issue for respecting and supporting the cultural heritage of tribal members and governments.

The MDA does not believe this proposal will adversely impact any disadvantaged communities.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐ Yes

☒ No

Results:

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Current Value</i>	<i>Date</i>	<i>Projected Value (without)</i>	<i>Projected Value (with)</i>	<i>Date</i>
Quantity	Number of contacts with farmers, crop advisors and other stakeholders at field days, presentations and other education events for all technical assistance programs	~18,000 ag producers, crop advisors and LGUs at 450 education and outreach events	2015-2022	No change from current	~20,000 ag producers, crop advisors and LGUs at 650 education and outreach events	2025
Quantity	Number of crop advisors participating in the Nutrient Management Initiative (on-farm) program)	210	2015-2022	No change from current	270	2025
Quantity	Number of farmers participating in the Nutrient Management Initiative	689	2015-2022	No change from current	900	2025
Quantity	Number of active edge-of-field water quality monitoring stations (i.e. Discovery Farms, Root River Field to Stream Partnership, Red River Drainage Water Management)	28 stations are currently active	2022	No change from current	Maintain and continue all current stations	2025
Results	Dollars leveraged from edge-of-field sites to support conservation efforts	~ \$10 million	2015-2022	No change from current	Depends upon future grant opportunities	

Performance measures are collected annually and reported on the Legislative Coordinating Commission's (LCC) website, in the Clean Water Performance Report, shared in activity forms and in presentations to the Clean Water Council, and incorporated into presentations, workshops, field days and other events. Technical Assistance funding is used to support interactive exhibits, high-quality scientific videos and graphics, and other methods to directly communicate with farmers, crop advisers, and local government partners.

Statutory Change(s):

No statutory changes are anticipated with this request.

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: Clean Water Fund - Minnesota Agricultural Water Quality Certification Program

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	3500	3500	0	0
Revenues	3500	3500	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	5.7	5.7	0	0

Recommendation:

The Governor recommends a FY2024-25 Clean Water Fund appropriation of \$7,000,000 to fund operations of the Minnesota Agricultural Water Quality Certification Program (MAWQCP).

The MAWQCP is a federal-state partnership between Minnesota, the USDA and the EPA as a first of its kind program that combines the technical expertise and financial resources of federal and state government and private sector partners to address water quality in agricultural areas. A majority of the requested funding is passed through to local government to provide technical assistance and implementation funds. State dollars maintain a match commitment for \$9 million of federal funding awarded through FY25, with all the federal support going to program participants and none to the MAWQCP budget.

Additionally, the program is experiencing broad expansion in participation, grant making, public and private partnerships, special projects (e.g., Climate Smart farms and Irrigation Water Management efforts), and other proposed mechanisms for using MAWQCP's unique structure. The integration of program outreach and delivery of services through private industry partners established in multiple formal agreements are providing both a significant increase in capacity for farmer interaction and a higher demand for management of increased, new and further dispersed program operations.

This request to support the increased demand for MAWQCP services would equate to 18% of the Minnesota Department of Agriculture's (MDA) Clean Water Fund request for FY24-25.

Rationale/Background:

Agriculture is a key and core industry in Minnesota's economy that can function to improve or harm water quality. Through its innovative and nationally recognized process of identifying and mitigating agricultural risks to water quality, the MAWQCP supports farmers with whole-farm conservation service that maximizes their environmental and economic performance and protects and restores Minnesota's lakes, rivers, streams, and groundwater. Farmers and landowners who treat the risks to water quality are certified and are deemed in compliance with any new water quality laws or rules for 10 years. Certification gives farmers and the public greater certainty about regulatory standards and assures the public that Minnesota's farmers are doing their part to protect and improve water quality.

The MAWQCP has been embraced by Minnesota's agricultural community. To date (9-30-22), the MAWQCP has certified 1,268 farms, managing 920,342 acres. And the more than 2,535 new practices implemented to earn MAWQCP-certification are responsible for:

- keeping more than 127,200 tons of soil on Minnesota fields per year;
- preventing more than 43,300 tons of sediment per year from entering state waters;
- stopping the loss of more than 54,600 pounds of phosphorous every year;
- reducing nitrogen loss by as much as 49%; and
- reducing greenhouse gas emissions by 49,100 CO₂-equivalent metric tons per year.

(The annual totals naturally do not reflect the far greater entire accumulated reductions to date nor the ongoing accumulating reductions on all currently certified farms, or new certifications.)

Added investment in growing these results is further bolstered by the fact that the per acre cost of farm certifications has consistently decreased from start-up costs in FY14-FY15 being between \$100 to \$500 per acre to the current cost of just \$24/acre. Minnesota State Colleges have also shown that over the last three years of actual farm income data, MAWQCP-certified farms have averaged \$25,000 higher net income than non-certified farms, while also having other better key financial metrics such as debt-to-asset ratios and operating expense ratios (<https://www.agcentric.org/farm-business-management/annual-fbm-reports/>).

Also, the MAWQCP is cited as a specific strategy and policy to achieve goals of the Minnesota State Water Plan (<https://www.leg.mn.gov/docs/2020/mandated/200899.pdf>), the Minnesota Nutrient Reduction Strategy (<https://www.pca.state.mn.us/sites/default/files/wq-s1-80.pdf>), and the Minnesota's Climate Action Framework (<https://climate.state.mn.us/sites/climate-action/files/Climate%20Action%20Framework.pdf>).

Proposal:

The MDA and partners are actively enrolling farmers in the MAWQCP statewide, and this funding will support current ongoing efforts and is needed to support 1) the program expansion generated by public/private partnership agreements, and 2) meeting the increased demand for certification and conservation services and resources by Minnesota's farms.

This proposal anticipates maintaining baseline administration cost items and no additional FTE, but is necessary to maintain MAWQCP-services with increasing participation resulting in:

- Growing demand for grants (the MAWQCP supplemental grant has grown from \$106,000 in FY17 to more than \$488,000 in FY22);
- Greater numbers of operations needing performance audits of their 10-year certification commitments;
- Increasing demand for MAWQCP Endorsements (Endorsements have increased from 40 total in FY20 to more than 270 to date and are awarded to MAWQCP-certified growers who are going above and beyond water quality certification standards to provide further conservation benefits in the categories of Soil Health, Integrated Pest Management, Wildlife, Climate Smart, and Irrigation Water Management);
- And the corresponding growth in demand for all program services.

Impact on Children and Families:

Clean Water Funds must be spent to protect, enhance, and restore water quality in lakes, rivers, and streams and to protect groundwater from degradation. In most particularly meeting those requirements, the MAWQCP protects public health and ensures that all children have a healthy start.

This funding further directly serves the purposes and specific inclusion of MAWQCP in the goals and strategies of the Minnesota state water plan, nutrient reduction strategy, Climate Action Framework, and other economic and environmental objectives of the State. In so doing the program will further protections of drinking water supplies and other water quality goals, resiliency to climate-derived challenges to food production and availability, and other benefits relative to fundamental needs of Minnesota children and families.

Equity and Inclusion:

The MDA does not believe this proposal will adversely impact people of color, Native Americans, people with disabilities, people in the LGBTQ community, other protected classes, or veterans. Further, the Minnesota Climate Action Framework and other statewide goal-setting that informs this project includes equity and inclusion considerations which will be adopted as applicable.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐ Yes

☒ No

IT Costs

This proposal anticipates maintaining MNIT services costs averaging \$100,000 annually for managing contract with vendor.

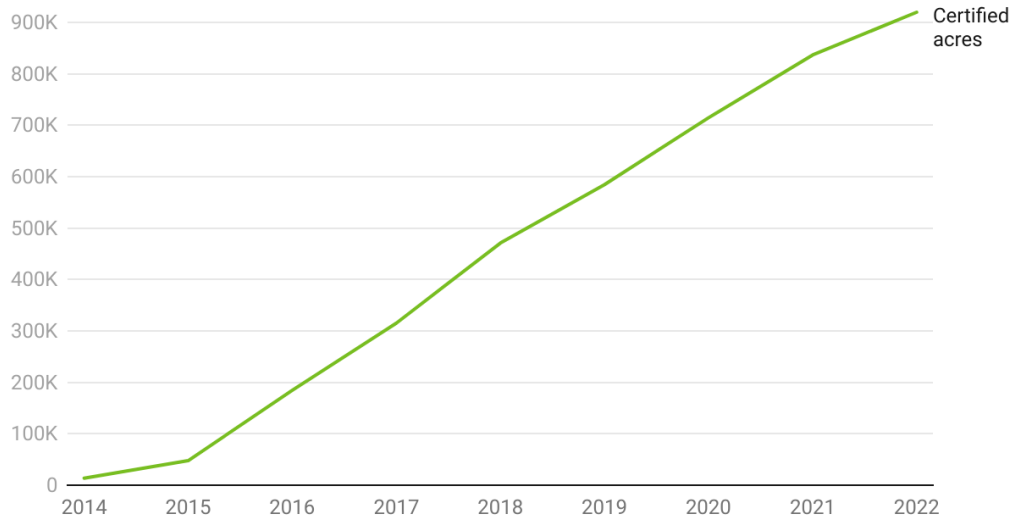
Category	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Professional/Technical Contracts management	100,000	100,000	100,000	100,000	100,000	100,000
Total	100,000	100,000	100,000	100,000	100,000	100,000

Results:

As specified below, MAWQCP participation and outcomes continue to grow and increase pressure on service delivery, contract management, farm audits, and all other program responsibilities. This growth is particularly notable over the last biennium when noting the contemporary issues occurring including a trade war, historic drought, record floods, avian influenza, and a global pandemic that even limited ability to visit farms (a central and unavoidable requirement in all certifications). While forecasting the rate and pace of future participation growth is not knowable in a voluntary program, the recent removal of at least some of those obstacles to certification creates the expectation that the growth rate will only increase over the next two years.

MAWQCP Certified Acres

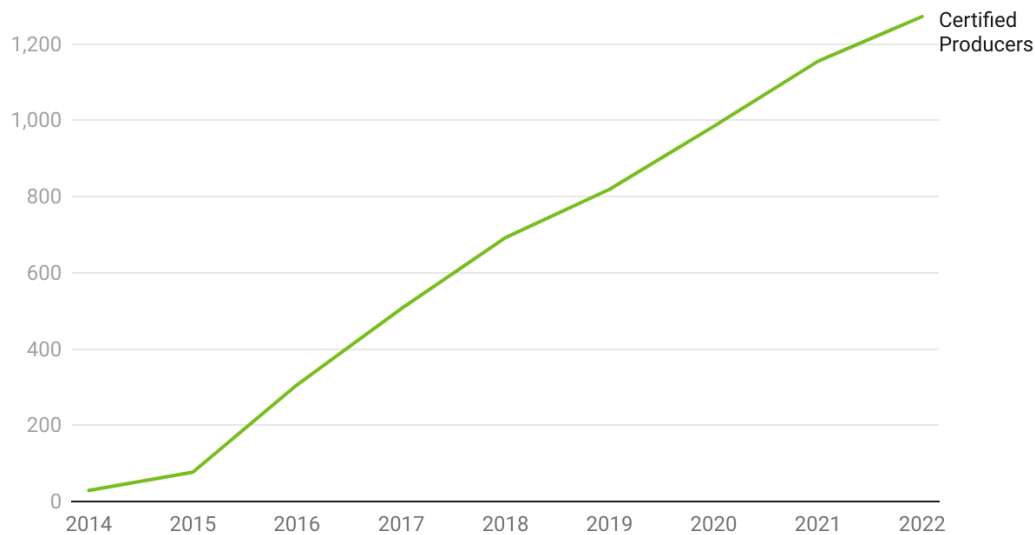
Acres certified from program initiation in 2014 to September 26, 2022



Created with Datawrapper

MAWQCP Certified Producers

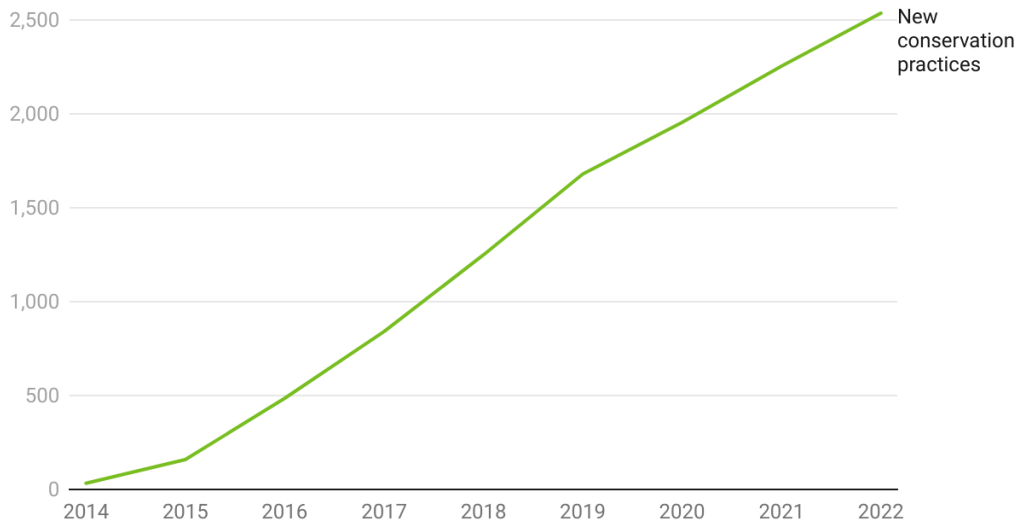
Producers certified from program initiation in 2014 to September 26, 2022



Created with Datawrapper

MAWQCP New Conservation Practices

New conservation practices implemented from program initiation in 2014 to September 26, 2022



Created with Datawrapper

MAWQCP reports performance measures for Clean Water Fund per below, provided here with a comparison of measurements as of the last Fiscal Year prior to current biennium.

MAWQCP Performance Measures	As of Date	Value	As of Date	Value
Number of certified farmers	9-30-22	1,268	Final FY21	1,087
Number of new practices implemented	9-30-22	2,537	Final FY21	2,198
Number of certified acres	9-30-22	920,342	Final FY21	783,339
Number of tons of soil saved per year	9-30-22	127,241	Final FY21	113,730
Number of MDA FTEs	9-30-22	5.7	Final FY21	5.7
Number of non-MDA FTEs	9-30-22	8	Final FY21	8
Funds leveraged by the MAWQCP	9-30-22	\$18,900,428	Final FY21	\$15,642,241
Total pass-through dollars	9-30-22	\$10,130,519	Final FY21	\$8,388,749
Percentage of funds pass through	9-30-22	54%	Final FY21	53%

Statutory Change(s):

No statutory change is required.

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: Clean Water Fund - Nitrate in Groundwater

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	3000	3000	0	0
Revenues	3000	3000	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	11	11	0	0

Recommendation:

The Governor recommends a FY2024-25 Clean Water Fund appropriation of \$6,000,000 for continuation of funding to implement Minnesota’s Nitrogen Fertilizer Management Plan (NFMP) and Groundwater Protection Rule for preventing and responding to nitrate contamination of groundwater from nitrogen fertilizer use. This includes support for: promotion, demonstration, and adoption of nitrogen fertilizer best management practices (BMPs) and to promote vegetative cover in vulnerable areas; staffing at University of Minnesota-Extension to educate on and promote fertilizer BMPs; support for conducting local advisory teams to work with farmers and crop advisers to reduce nitrate in areas with elevated nitrate in groundwater; conducting computer modeling to evaluate the impacts of specific agricultural and land management practices in local areas; and, technical support and demonstration projects such as Rosholt Farm. Funding will support implementation of the NFMP in townships and drinking water supply management areas (DWSMAs) with elevated levels of nitrate in groundwater.

Funding is being used for activities that help identify potential sources of nitrate-nitrogen contamination and evaluate and implement practices at the local level to reduce nitrate-nitrogen in groundwater. This proposal represents 16% of the Minnesota Department of Agriculture’s (MDA) Clean Water Fund request for FY24-25.

Rationale/Background:

Nitrate in groundwater in agricultural regions is one of the most challenging, widespread, and complex water quality issues in Minnesota. Approximately 1 out of 5 cropland acres overlies sensitive groundwater resources. Additionally, in the most sensitive areas of the state, recent testing of private wells indicates that approximately 9% of private wells exceed the drinking water standard for nitrate. In some vulnerable townships 20 to 50% of private wells exceed the drinking water standard. Recent sampling data has identified townships or clusters of townships where nitrate levels exceed the action levels outlined in the NFMP. Currently there are eight Level 1 (≥ 5.4 mg/L nitrate) and 18 Level 2 (≥ 8 mg/L nitrate) community water supplies under the Groundwater Protection Rule; all communities are currently in a voluntary phase. This proposal will increase the resources available for the MDA to respond to elevated nitrate in priority areas including implementation of practices to protect groundwater.

This proposal includes prevention and mitigation activities in targeted areas with vulnerable groundwater including promotion and adoption of nitrogen fertilizer best management practices as well as the use of cover crops, forage crops and other alternatives on vulnerable fields. Improved nitrogen management practices can increase nitrogen efficiency (or reduce the overall nitrogen needs) and thereby reduce nitrate leaching into groundwater and surface water and reduce nitrous oxide emissions from agriculture. Increasing vegetative cover

has direct water quality benefits and also can increase soil organic carbon over the long term and improves soil health. Together these practices have been identified as key agricultural practices to mitigate the impacts of climate change.

This proposal is recommended and supported by the Clean Water Council.

Proposal:

Nitrate is one of the contaminants of greatest concern in Minnesota's groundwater. This proposal will increase the resources available to address this issue and allow the MDA to work in both Drinking Water Supply Management Areas (DWSMAs) and townships that have elevated nitrate in groundwater. Implementing the NFMP and Groundwater Protection Rule will result in prevention and mitigation of groundwater from exceeding the health standard for nitrate. These efforts include:

- **Water quality demonstrations and BMP evaluations** to compare nitrogen BMPs to existing practices and to demonstrate the effectiveness of the BMPs.
- **Promotion of other groundwater protection practices (called Alternative Management Tools (AMTs))** that will significantly reduce groundwater impacts; they are intended to go beyond more traditional nitrogen fertilizer BMPs in terms of groundwater protection. AMTs may include alternative cropping systems, cover crops, advanced nitrogen management or application of precision technology.
- **Statewide and regional prevention** to provide education and promotion of nitrogen BMPs to ensure that in the future, nitrate does not become a concern in new areas.
- **Use of computer modeling tools** to estimate the nitrate leaching losses from different agricultural practices in different settings.
- **Establishing local nitrate monitoring networks** capable of producing long term trends in vulnerable townships.
- **Pass through funding to local government** to develop and implement locally led nitrogen best management practice (BMP) promotion and evaluation projects.

The MDA's goal is to involve local farmers and agronomists in problem-solving at the local level and to work directly with the agricultural community to adopt practices to minimize groundwater impacts. Local farmers and their crop advisers are critical in helping develop and implement appropriate activities to address elevated nitrate because they control the land use.

Continued funding for Nitrate in Groundwater will be invested similar to previous appropriations. In FY14-FY21, 42% of funding was passed through in grants and contracts. Recipients include local project partners (SWCDs), farmers, and landowners. Remaining funding supports salary and staff expenses (11 FTEs), lab analysis, equipment, supplies and travel related expenses.

Addressing elevated nitrate in community drinking water wells is a high priority for state agencies. Together with state agency partners, the MDA contributes information to Groundwater Protection and Restoration Strategies (GRAPs) to support the State's Watershed Approach and for local organizations to use to develop their water management plans. Data from the MDA's Township Testing Program characterize nitrate conditions in private wells and has been used by state agencies to set priorities for groundwater implementation and funding.

Impact on Children and Families:

Clean water and in particular clean drinking water is extremely important to ensure healthy and successful children and families. Contaminated groundwater and surface water can have a very significant impact on individual health and can also restrict economic and recreational activities for many communities. Clean Water Funded activities must protect, enhance, and restore water quality in lakes, rivers, and streams and/or protect groundwater from degradation. This proposal will help to protect public health and thereby ensure that children and families can pursue a healthy life.

Equity and Inclusion:

Clean water and in particular clean drinking water is an equity issue. All people in Minnesota have a right to clean and safe drinking water. This proposal will help to reduce nitrate levels in groundwater and will help economically disadvantaged communities that may be less likely to test private wells or treat drinking water. The proposal will help to protect and improve water quality and will benefit all community members. In addition, clean water is a central issue for respecting and supporting the cultural heritage of tribal members and governments. The MDA does not believe this proposal will adversely impact any disadvantaged communities.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐ Yes

☒ No

Results:

The Nitrogen Fertilizer Management Plan (NFMP) was revised and updated in 2015 and the Groundwater Protection Rule went into effect in June 2019. The NFMP and Groundwater Protection Rule are being implemented to address nitrate from fertilizer in groundwater.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Current Value</i>	<i>Date</i>	<i>Projected Value (without)</i>	<i>Projected Value (with)</i>	<i>Date</i>
Results	Number of groundwater sensitive agricultural townships that have been characterized through MDA's Township Testing approach	32,217 wells private wells in 344 vulnerable townships within 50 counties have been tested.	2013-2019		The MDA will evaluate retesting private wells by township or region in a 5–10-year timeframe	
Results	Overall results from Township Testing Program	Overall, 9.1% (2,925 out of 32,217 wells) tested in vulnerable areas exceeded the drinking water standard for nitrate. Data is used to prioritize areas with highest groundwater risk.	2013-2019			

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Current Value</i>	<i>Date</i>	<i>Projected Value (without)</i>	<i>Projected Value (with)</i>	<i>Date</i>
Results	Monitoring results from the Central Sands Private Well Network (CSPWN) and the Southeast Private Well Network (700-900 private wells tested annually: 10,460 samples to date)	<p><u>CSPWN</u>: 2018 results show 3% percent of wells had nitrate concentrations ≥ 10 mg/L. Overall, 95.5-97.8% of wells have been below 10 mg/L nitrate.</p> <p>Downward trend in nitrate in the 90th percentile data.</p> <p><u>Southeast Private Well Network</u>: Between 7.5% and 14.6% of wells were ≥ 10 mg/L nitrate each sampling period (13 total).</p> <p>No regional trends in nitrate detected.</p>	<p><u>CSPW</u>: 2011-2018</p> <p><u>SE</u>: 2008-2018</p>		Sample results are used to evaluate regional groundwater trends	
Results	Number of Drinking Water Supply Management Areas that participate in mitigation activities through the Groundwater Protection Rule.	<p>8 DWSMAs are designated as Level 1 (≥ 5.4 mg/L nitrate)</p> <p>18 DWSMAs are designated as Level 2 (≥ 8 mg/L nitrate)</p> <p>12 Local Advisory Teams formed in Level 2 DWSMAs</p>	2022		<p>Continue to implement the Groundwater Protection Rule</p> <p>Form Local Advisory Teams in all Level 2 DWSMAs</p>	
Quantity	Education and outreach programs to help promote Nitrogen Fertilizer BMPs to farmers and crop advisers	Seven state-wide conferences reaching over 1,400 attendees and impacting 8,300,000 acres	2016-2022		Nine state-wide conferences reaching over 1,800 attendees and impacting 9,000,000 acres	2025

Performance measures are collected annually and reported on the Legislative Coordinating Commission's (LCC) website, in the Clean Water Performance Report, shared in activity forms and in presentations to the Clean Water Council, and incorporated into presentations, workshops, field days and other communication materials.

Statutory Change(s):

No statutory changes are anticipated with this request.

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: Pet Food Registration Streamlining

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	0	0	0	0

Recommendation:

The Governor recommends streamlining MN Stat 25.39 Subd. 1(b) to:

1. Maintain the annual pet food product registration requirement, and
2. Update the requirement for label submission to within 5 business days upon the request of the MDA.

This recommendation is expected to have no direct impact on the associated Agriculture Fund.

This recommendation will create administrative efficiency for the registration process, which will allow approximately 0.2 FTE of program funding to be redirected to conduct and improve activities for the administration of Commercial Feed Law licensing and inspection fee processes.

Rationale/Background:

[Minnesota Statute 25.39 subd. 1\(b\)](#) requires distributors of pet food or specialty pet food in packages of ten pounds or less to “register each product and submit a current label for each product annually”.

The MDA’s Licensing Information System (LIS), the official records data system for pet food product registrations, does not have the capability to attach PDFs or other digital files related to product labels. As a result, the Pet/Specialty Pet Food Product registration and annual renewal processes are currently 100% paper-based correspondence which relies on the postal mail. The current MDA business process must adapt to the following methods of label submission:

- Mailing of physical product packaging,
- Mailing scanned copies of physical packages,
- Mailing thumb drives or CD ROMS with label images; these often contain other data as well,
- Emailing of label images,
- Emailing instructions for the MDA staff to access cloud-based accounts.

To fulfill the official records obligations related to this activity, the MDA creates an annual digital archive of each product label for all registered products. This process includes:

- creating an electronic file for each licensed firm
- Creating electronic images for each physical label submitted.
- Downloading label images from physical media.
- Downloading emailed and cloud-based images.
- Connecting these electronic files to corresponding folders.

- Disposing of physical files and securely destroying physical media.
- Further administrative requirements exist in purging these files in accordance with the MDA's record retention schedule.

Firms register new products for distribution throughout the year. Approximately 11,070 products are registered with the MDA annually. Approximately 16% of products registered annually were new registrations, an average of approximately 1,810 products. Many firms register only 1 product, and the most products registered by any one firm was 752. This means data handling for approximately 84% of annually registered products is redundant with official records already maintained in MDA data systems.

The non-label data from the current pet food registration process adequately facilitates the administration of the pet food label review program. Product labels are used by the regulatory program staff to determine product compliance with MN Commercial Feed Law. Current business practice for the regulatory program review includes requesting a copy of the label from the distributor at the time of review. This regulatory best practice creates an additional redundancy for distributors and the MDA.

The current statutory requirement of label submittal for each product and each year creates an unnecessary burden to feed distributors. Similarly, an administrative burden is placed on the MDA to receive, handle, file, and purge the records created by this requirement when a significant portion of this data is redundant year-over-year.

Proposal:

The proposal is to streamline MN Stat 25.39 Subd. 1(b) to:

- Maintain the annual product registration requirement, and
- Updating the requirement for label submission to within 5 business days upon the request of the MDA.

The intent of this proposal is to reduce the label submittal burden for distributors registering products with MDA to what is required for MDA to initiate label review processes.

This proposal removes a redundant label submission requirement which does not directly support the enforcement of MN Commercial Feed Law regarding pet food labels. Subsequently, this will reduce the administrative requirements of the MDA by reducing the handling of data and maintenance of official records.

This change is not anticipated to have any adverse impacts on the MDA's ability to administer the pet food label review program and will not adversely impact the MDA's ability to enforce pet food labeling standards within Minnesota. Non-compliance with the request for labels can be addressed with existing enforcement tools related to product registration noted in MS Chapter 25.

This proposal is expected to reduce the staffing necessary to administer the pet food registrations by 0.2 FTE. This Commercial Feed Program resource would be redirected to conduct and support continuous improvement of the administration of Commercial Feed Law licensing and inspection fee processes and related customer support.

Impact on Children and Families:

No direct impacts identified

Equity and Inclusion:

No direct impacts identified

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐ Yes

☒ No

Results:

Please contact the Results Team at MMB (ResultsManagement@state.mn.us) if you have any questions about this section.

Part A: Performance measures

Staffing hours for completion of administrative registration activities are expected to be reduced and timelines for registrations to be processed also expected to be reduced.

Statutory Change(s):

MS 25.39 Subd.1(b) modified to:

(b) In the case of pet food or specialty pet food distributed in the state only in packages of ten pounds or less, a distributor must register each product ~~and submit a current label for each product~~ annually on forms provided by the commissioner, accompanied by an annual application fee of \$100 for each product in lieu of the inspection fee, and submit a current label for each product within five (5) business days upon the request of the commissioner. This annual fee must be received by the commissioner on or before June 30 or postmarked on or before June 30. The inspection fee required by paragraph (a) applies to pet food or specialty pet food distributed in packages exceeding ten pounds.

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: Plan Review Fee Modernization

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	89	89	89	89
Revenues	89	89	89	89
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	0	0	0	0

Recommendation:

The Governor recommends revisions to the plan review fee structure and fees in [MS 28A.082](#). This budget change item proposes to generate \$89,000 annually to the Agricultural Fund plan review account. With this change, revenues to the Agriculture Fund account would increase from \$111,000 to an estimated \$200,000 annually.

Rationale/Background:

The retail food construction plan review unit's annual expenses associated with meeting review timeframes specified in rule and other support services provided to an evolving retail food industry have exceeded the revenue collected (\$110,000) in the Agriculture Fund plan review account and the amount allocated (\$272,000) to the General Fund for plan review.

This proposal seeks to maintain current plan review staffing and services in part by an increase in revenue to the Agriculture Fund plan review account through revisions to the plan review fee structure and fees in [MS 28A.082](#). The construction plan review fees specified in 28A.082 last increased 15 years ago in 2007. The current structure for assessing plan review fees was established 21 years ago in 2001. The current fee design does not sustainably fund the plan review unit to perform the technical reviews required and to meet the needs of the evolving retail food business landscape. This budget change will help the Minnesota Department of Agriculture (MDA) to meet the requirement to complete the review of retail construction plans within 30 days of receipt as required in rule ([MN Rule 4626.1720](#)).

The retail food industry is comprised of a diverse group of businesses. The MDA serves both corporate entities as well as small, privately owned businesses. Many of the small businesses the MDA regulates are minority owned and some applicants are venturing into the food industry for the first time. The variation in customer needs have demonstrated a long-term need for resources and processes necessary to provide effective support services.

The plan review process is often the first interaction new business operators have with the department and understanding the review process and regulatory requirements can appear challenging. Stakeholder input through surveys and listening sessions identified the need for additional support in the review process for small businesses. The proposed increase in funding for the plan review unit will allow the MDA to effectively manage workload, completing reviews within specified timeframes while continuing to improve processes and provide the necessary consultative support to first time business operators who do not have the resources to hire professional architects or consultants.

Proposal:

This proposal is not a new initiative. It is a change to sustain the level of program improvements and services that have been in place for approximately 25 years. This proposal will help sustain the current operating functions and capacity of the plan review unit to complete reviews within 30 days as specified in rule. The cost to maintain the program has outpaced the revenues to the Agriculture Fund plan review account and General Funds allocated for plan review. If the additional \$235,000 needed through this request and the Compensation Adjustment change item are not funded, the retail food program will need to prepare to reduce plan review FTEs in FY24 and FY25.

The number of plan reviews completed in 30 days or less is depicted in the Results section below. The plan review unit completes most of the work under the required 30-day timeframe with current revenues and FTE. If current FTE are not maintained, the time to complete plan reviews will increase significantly as the workload is distributed among fewer FTE. This will negatively impact the retail food industry as businesses wait longer to receive critical feedback and direction to start their projects.

Impact on Children and Families:

The MDA regulates a significant number of food businesses that operate in rural communities. Access to food in rural communities can be limited compared to more populated areas. The plan review unit helps rural community food businesses get started with review services that include guidance on process or layout improvements that could reduce project costs. The plan review unit also provides guidance on emerging business innovation such as unattended food establishments. This concept enables businesses the ability to meet community needs by offering consumers access to food over extended hours without depending upon staffing.

Equity and Inclusion:

Stakeholder input identified a gap in and opportunity for the plan review unit services prior to a plan review application being submitted. Underrepresented communities do not always understand the food safety requirements involved in constructing a retail food business. They also may not know where to find resources to help them through the process. This proposal will enable the MDA to connect with individuals on the front end of the application process and provide the same level of consultative support that is afforded to business operators who already have a full understanding of the plan review system. This can be done by developing relationships with entities that represent different communities within MN or directly with minority business operators.

Tribal Consultation:

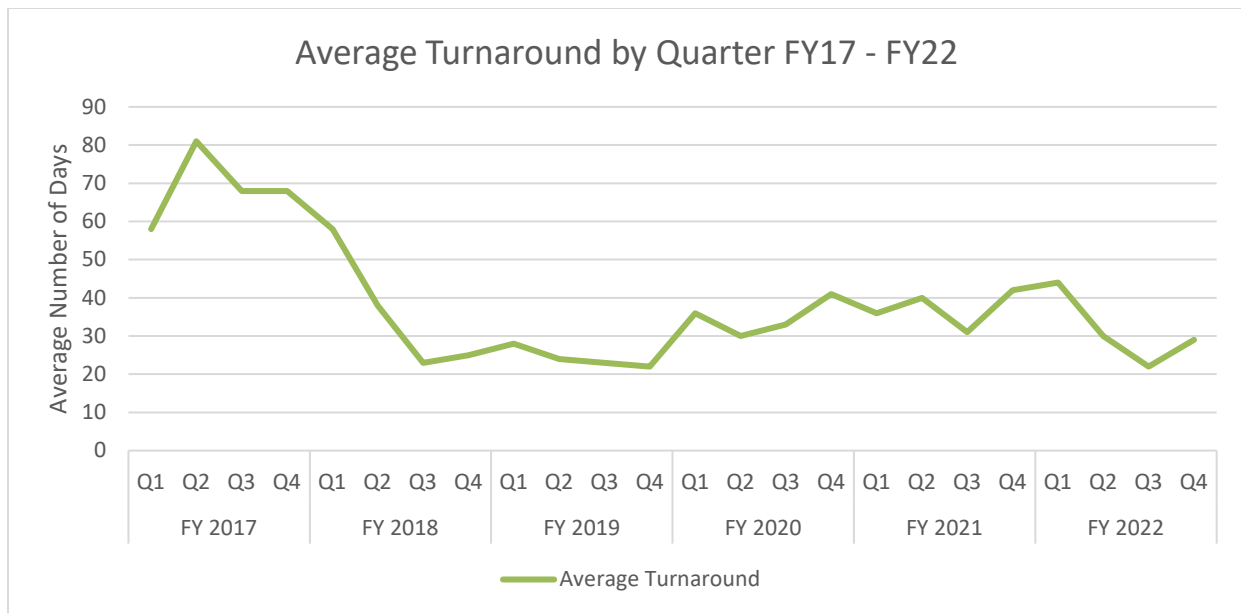
Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐ Yes

☒ No

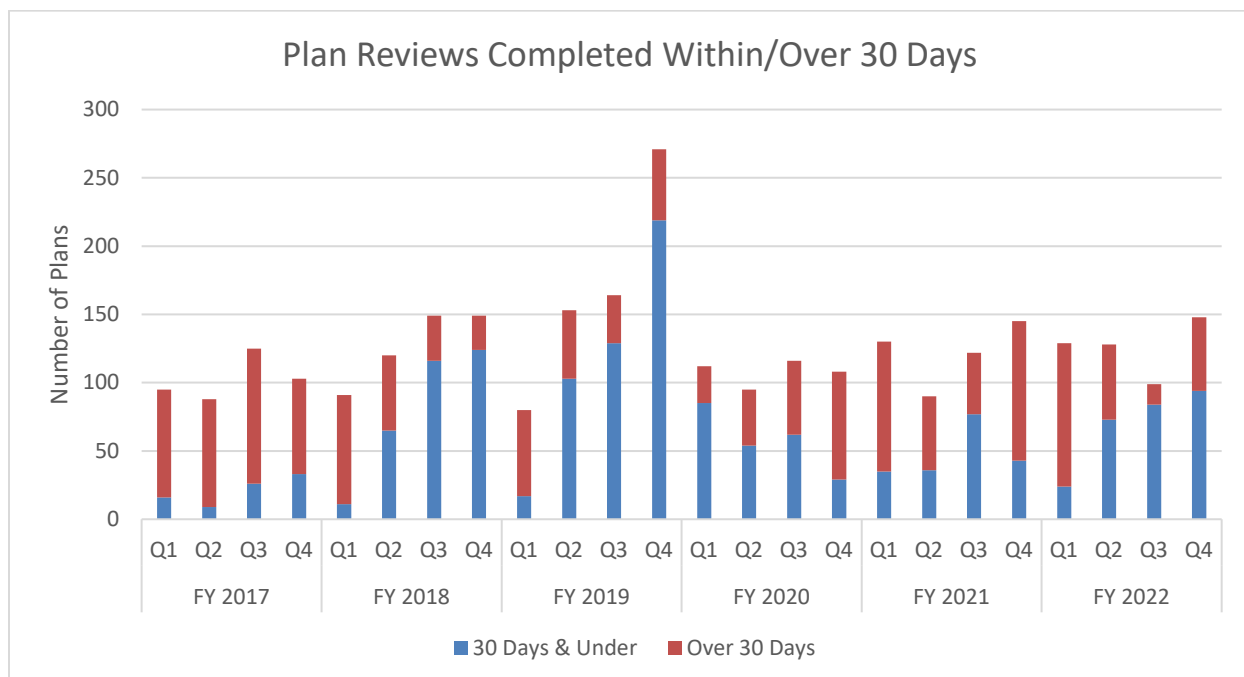
Results:

As outlined in the Minnesota Food Code, plans reviews need to be completed by the agency within 30 days of complete submission. The plan review unit's primary performance metric is to finish all reviews within the 30-day time frame outlined in rule. The chart below shows the number of days, on average, it has taken staff to complete the plan reviews.



Program and process improvements made in fiscal years 2017 and 2018 significantly reduced the turn-around time. COVID-19 response in fiscal years 2020 and 2021 slightly increased turn-around time as the unit adjusted business practices to the COVID-19 operating environment.

The following chart shows the number of plan reviews completed within 30 days and over 30 days from fiscal years 2017 to 2022. Plans are not submitted for review at a constant rate. The fluctuation in submission underscores the need to maintain capacity for quality review services especially during periods where the number of submissions surge.



Statutory Change(s):
28A.082 FOOD HANDLER PLAN REVIEW FEES.

Subdivision 1. Fees; application.

(a) The fees for review of food handler facility floor plans under the Minnesota Food Code are based upon the square footage of the structure being newly constructed, remodeled, or converted. The fees for the review shall be:

square footage	review fee
0 - 999	\$ 200.00
01,000 – 4,999	\$ 400.00
5,000 - 24,999	\$ 800.00
25,000 plus	\$ 1,000.00

(b) The applicant must submit the required fee, review application, plans, equipment specifications, materials lists, and other required information on forms supplied by the department at least 30 days prior to commencement of construction, remodeling, or conversion. The commissioner may waive this fee after determining that the facility's principal mode of business is not the sale of food, and that the facility sells only prepackaged foods.

(c) The fee for a remodel of a licensed food establishment by the license holder is based on the total square footage in paragraph (a) of the remodeled food preparation, service, display, and storage areas only. This does not apply to a retail food handler who is applying for a new license which includes the conversion of an existing building or structure which was previously licensed as a food establishment.

Subd. 2. Food handler plan review account; appropriation.

A food handler plan review account is created in the agricultural fund. Fees paid under subdivision 1 must be deposited in the food handler plan review account. Money in the account, including interest accrued, is appropriated to the commissioner for the costs of the food handler plan review program.

Subd. 3. Disaster areas.

If the governor declares a disaster in an area of the state, the commissioner of agriculture may waive the plan review fee and direct agency personnel to expedite the plan review process.

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: Farm Safety, Health, and Wellness

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	250	250	250	250
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	250	250	250	250
FTEs	0	0	0	0

Recommendation:

The Governor recommends an ongoing general fund appropriation of \$250,000 to support farm safety outreach and equipment cost-share payments to farmers; stress and mental health outreach, promotion, and support to farmers and others in the agricultural community; and a pass-through grant to the Minnesota FFA Foundation to engage FFA chapters in creating innovative education, training, or outreach projects that respond to community needs to mitigate stress and promote mental health.

The \$250,000 annual appropriation represents an 5.94% increase over the current combined FY 2022-2023 biennium Agricultural Marketing and Development appropriation (\$8.415 million).

Rationale/Background:

Farming is one of the most dangerous professions in America. In an average year, more than 25 Minnesota adults and children lose their lives in agriculture-related incidents and thousands more are injured. Hazards range from suffocation in confined spaces like grain bins and silos, to tractor and ATV rollovers, to chronic pain and suicide.

Agriculture also presents risks to psychological and emotional health. In the last few years, flooding, drought, surges in the cost of fuel and other farm inputs, supply chain challenges, COVID, and livestock disease have taxed the mental well-being of many farmers, farm family members, and employees.

Farming and farm life can present serious challenges for farm-connected children and youth, as well as adults. The mental health status of children and youth is a particular concern for the current Administration and efforts of its Children's Cabinet; they are also top of mind for Minnesota's FFA youth leaders.

Proposal:

This initiative invests in three important areas:

The MDA's Grain Storage Facility Safety and Tractor Rollover Protection Safety cost-share programs are in high demand, and we have a waiting list of farmers eager to install safety roll bars on older tractors. These programs have previously been funded through one-time appropriations; this proposal creates ongoing base funding to promote farm safety and support farmers who install safety equipment. (\$100k/year)

This appropriation will also enable the MDA to continue to shape and provide comprehensive, culturally appropriate mental and behavioral health outreach, promotion, and support to farmers and others in the agricultural community. Activities include stigma reduction, a 24-hour phone and text hotline, a central number

for Minnesota Farm Advocate services, suicide prevention efforts, and educational and professional development sessions. (\$50k/year)

A State pass-through grant to the Minnesota FFA Foundation for FY 2024 and FY 2025 will fund as many as 50 innovative, chapter-led projects each year. These projects will provide education, training, or outreach to increase awareness of and understanding about mental health and promote coping skills to mitigate stress. These impactful programs will reach rural youth, farmers, farm family members, and others involved in agriculture. (\$100k/year)

Impact on Children and Families:

In farm and ranch families, children are intimately involved in agricultural production and exposed to physical risks as well as day-to-day farm stresses and mental health challenges. Investing in farm safety, health, and wellness benefits children and youth as well as adults.

Equity and Inclusion:

While this proposal is not designed to reduce any specific inequities or target specific groups, Minnesota's farm and agriculture sector includes adults and children from a wide variety of ethnic, social, age, gender, geographic, physical ability, and other backgrounds and statuses, any of whom may be at risk of physical injury or negatively affected by stress.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐ Yes

☒ No

Results:

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Current Value</i>	<i>Date</i>	<i>Projected Value (without)</i>	<i>Projected Value (with)</i>	<i>Date</i>
Quantity	Grain Bin Safety cost-share payments	30	FY 2022	0	25	FY 2024
Quantity	ROPS cost-share payments	31	FY 2022	0	25	FY 2024
Quantity	Mini-grants to FFA chapters	25	FY 2023	0	50	FY 2024
Quantity	Farm & Rural Helpline Requests	155	FY 2022	15	175	FY 2024
Quantity	People trained in suicide prevention/intervention	150	FY 2023	0	150	FY 2024

Statutory Change(s):

No statutory changes will be needed.

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: Expanded Eligibility for Farm to School

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	0	0	0	0

Recommendation:

The Governor recommends expanding eligibility for the AGRI Farm to School grant to include early childhood education (ECE) providers. The FY 2022-2023 budget rider provides MDA the authority to reimburse “schools” for local food purchases. This request will update FY 2024-2025 budget rider text to include ECE centers, in addition to schools, as eligible recipients of reimbursement for purchases from local farms. This update will allow ECE centers to receive AGRI Farm to School grants and provide more comprehensive support for connecting Minnesota children with local food.

This recommended change does not change the existing AGRI appropriation for Farm to School of up to \$800,000 per year.

Rationale/Background:

Grants have been administered for Farm to School activities via the AGRI program since FY 2013. During the first eight years (FY 2013-2020), the focus was on helping schools and ECE organizations increase their capacity to purchase, store, and prepare Minnesota grown and raised foods by awarding grants for equipment. In FY 2021, with specific legislative authority, we began offering grants to schools for the purchase of Minnesota grown and raised food, and in FY 2022, grants were awarded for both equipment and local foods. Per MDA’s current legislative authority, AGRI Farm to School food grants are currently available to K-12 schools only.

However, there is growing interest among ECE providers to incorporate local food in meals at a time when children are developing taste preferences and eating habits that they’ll carry forward for the rest of their lives. Minnesota’s Farm to Early Care Network (including Minnesota Department of Health (MDH), Institute for Agriculture and Trade Policy and Renewing the Countryside) received a two-year grant to pilot a Farm to Early Care mini grants. In 2022, they received \$182,000 worth of grant requests from ECE centers for \$16,000 of available funds. Expanding eligibility for the AGRI Farm to School grants to include ECE centers will help meet this need for local food purchasing support, while investing in market growth for Minnesota farmers and advancing local food access in communities.

Proposal:

We recommend updating text in the agriculture budget rider to include ECE centers as eligible recipients of reimbursement for local food purchases. This change will allow ECE centers to apply for and receive AGRI Farm to School grants to purchase local food for school meals.

Impact on Children and Families:

The MDA anticipates that this project will have a direct impact on children since the Farm to school program focuses on the school meals. By expanding eligibility for the AGRI Farm to School to grants to include ECE providers, this proposal intends to expand access to local food in school for more Minnesotan youth starting at a younger age.

Equity and Inclusion:

The AGRI Farm to School Grant prioritizes proposals that emphasize purchasing from emerging farmers including historically underserved communities, such as, Black, Indigenous, and People of Color, immigrants, women, veterans, persons with disabilities, young and beginning farmers, LGBTQ+ farmers, and others. We anticipate that this priority will remain in future rounds of comparable programs. Each of our competitive grant programs prioritize underserved communities, consistent with Office of Grants Management policy.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐ Yes

☒ No

Tribal governments, communities, and members eligible to apply for many of the AGRI programs, including the Farm to School grant program. The proposed eligibility expansion for the Farm to School grant program would allow ECE centers serving Tribal communities to apply for funding. Within the Farm to School grant program, the MDA prioritize projects that meaningfully include or benefit emerging farmers, including members of Tribal communities.

Results:

This recommendation will expand eligibility for the AGRI Farm to School Grant program, which began offering funding for purchasing local foods for the 2021-2022 school year. In partnership with the Institute for Agriculture and Trade Policy and the University of Minnesota Extension, we will continue to measure the economic impact of these grants on an on-going basis.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Current Value</i>	<i>Date</i>	<i>Projected Value (without)</i>	<i>Projected Value (with)</i>	<i>Date</i>
Quantity	# of AGRI Farm to School grants	46	FY 2022	46	60	FY 2024
Quantity	# of farmer-school relationships	N/A - Data collection in process	FY 2022	150	180	FY 2024

Statutory Change(s):

No statutory changes will be needed.

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: The Good Acre LEAFF Program

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	100	100	100	100
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	100	100	100	100
FTEs	0	0	0	0

Recommendation:

The Governor recommends a \$100,000 annual base appropriation beginning in FY 2024 to expand the Local Emergency Assistance Farmer Fund (LEAFF) that is operated by The Good Acre.

The \$200,00 appropriation represents a 0.8% increase over the current combined FY 2022-2023 biennium Administration and Financial Assistance appropriation (\$24.906 million).

Rationale/Background:

The Good Acre's LEAFF program provides underserved farmers with new market channels by paying market-rate prices for their produce, all of which is then donated to hunger-relief organizations across Minnesota. In the program's first two years (2020 and 2021), The Good Acre worked with 62 emerging farmers to train them in wholesale marketing and provide production and business technical assistance, purchased over \$480,000 in produce from participating farms, and provided over 250,000 pounds of produce from local farmers for distribution to hunger-relief partners.

The 2022 supplement appropriations bill provided the Minnesota Department of Agriculture (MDA) with \$827,000 for grants focused on emerging farmers. Of this amount, \$250,000 was granted to The Good Acre for LEAFF. These funds helped leverage additional dollars, and as of October 2022, LEAFF has purchased over \$300,000 of produce from 64 farmers this year.

Proposal:

We recommend \$200,000 to provide a pass-through grant to The Good Acre to continue and expand the program. The impact of the events of 2020 has become long-lasting. In 2021, they had 70 farmers apply but could only accept 40 and at a reduced number of dollars spent per farm. Participation and interest in the program continue to grow. Each dollar spent on the produce not only goes back into the local economy in the hands of farmers it also provides a dollar's worth of produce for hunger relief.

Impact on Children and Families:

The MDA does not anticipate this proposal having a direct impact on children and families. However, produce purchased through this program is donated to Second Harvest Heartland and distributed to children and families through the emergency food network.

Equity and Inclusion:

The LEAFF program is only open to farmers who identify as BIPOC, including Hmong or other Southeast Asian and whose gross farm sales are less than \$100,000 and whose farm income is at least 25% of their household income.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐ Yes

☒ No

Results:

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Current Value</i>	<i>Date</i>	<i>Projected Value (without)</i>	<i>Projected Value (with)</i>	<i>Date</i>
Quantity	# of farmers who can participate	65	FY 2023	20	40	FY 2024

Statutory Change(s):

No statutory changes will be needed.

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: Oriented Strand Board Production Incentive Amendments to Rider Language

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	0	0.5	1	1

Recommendation:

The Governor recommends allowing the Minnesota Department of Agriculture (MDA) to use up to 6.5% of funds appropriated for the oriented strand board (OSB) incentive program authorized at MINN. STAT. 41A.21 for administration of the program. This recommendation does not appropriate any new funding.

Rationale/Background:

MINN. STAT. 41A.21 appropriates funding for the OSB incentive program but does not include an allocation for administrative costs.

Appropriation. (a) In fiscal year 2025, a sum sufficient to make the payments required by this section, not to exceed \$1,500,000, is appropriated from the general fund to the commissioner. This is a onetime appropriation. (b) From fiscal year 2026 through fiscal year 2034, a sum sufficient to make the payments required by this section, not to exceed \$3,000,000 in a fiscal year, is annually appropriated from the general fund to the commissioner.

The OSB production incentive program is patterned after the Incentive Programs which are part of the Agricultural Growth, Research, and Innovation (AGRI). Rider language for the AGRI appropriation allocates up to 6.5% for program administration. The OSB production incentive appropriation is outside of AGRI, and so no funds are currently allocated for administration. The amendment to the OSB rider language would provide needed administrative funding up to 6.5%, consistent with the rider language in the AGRI appropriation.

Proposal:

This proposal seeks to amend MINN. STAT. 41A.21 to allocate up to 6.5% for administration of the OSB production incentive program.

Impact on Children and Families:

We do not anticipate this change to have a direct impact on children and families.

Equity and Inclusion:

We do not anticipate this change to have a direct impact on equity or inclusion.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐ Yes

☒ No

Results:

This recommendation doesn't impact projected results; the program is not targeted to begin until FY 2025.

Statutory Change(s):

MINN. STAT. 41A.21 contains the appropriation for this program and would need to be amended to include up to 6.5% for administrative costs.

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: Pass-Through Grants to Agricultural Organizations

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	401	399	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	401	399	0	0
FTEs	0	0	0	0

Recommendation:

The Governor recommends one-time funding of \$800,000 split between FY 2024 and 2025 for pass-through grant funding to the Center for Rural Policy and Development, Northern Crops Institute, Minnesota Turf Seed Council, Minnesota State Poultry Association, Minnesota State Horticultural Society, and Minnesota Livestock Breeders Association.

The \$800,000 appropriation represents an 3.21% increase over the current combined FY 2022-2023 biennium Administration and Financial Assistance appropriation (\$24.906 million).

Rationale/Background:

During the FY 2022-2023 biennium, the seven named organizations were provided one-time funding. Except for the Minnesota Poultry Breeders Association which only received funding in the first year, these organizations all received pass-through grants both years.

Proposal:

This proposal provides a cumulative base appropriation of \$800,000 to be distributed to each organization as follows:

- **\$150,000 annually to the Center for Rural Policy and Development**
The Center for Rural Policy and Development provides high quality, objective, and nonpartisan research to examine and advance policy and decision-making, rural advocacy, and civic engagement for Greater Minnesota's development. It is a trusted source of policy, research, and recommendations to advance and improve the quality of life in Greater Minnesota.
- **\$47,000 annually to the Northern Crops Institute (NCI)**
NCI is a collaborative effort among Minnesota, Montana, North Dakota, and South Dakota to support the promotion and market development of crops grown in this four-state region. NCI is an international meeting and learning center that brings together customers, commodity traders, technical experts, and processors for discussion, education, and technical services. Minnesota farmers and value-added processors received substantial benefit from the state's investment in NCI. NCI provides a variety of educational offerings, including webinars, handbooks and in-person courses. They also provide technical assistance such as processing or testing of an ingredient or new product to farmers and processors. All of Minnesota's major agricultural commodities benefit from the services provided by NCI.

- **\$75,000 annually to Greater Mankato Growth, Inc. (GreenSeam)**
Housed within Greater Mankato Growth, Inc., GreenSeam’s mission is to elevate southern Minnesota and northern Iowa as the world-class food and agribusiness epicenter. They provide assistance to ag-related businesses to promote jobs, innovation, and synergy development.
- **\$75,000 annually to the Minnesota Turf Seed Council**
The Minnesota Turf Seed Council helps fund basic and applied research that is critically important to Minnesota turf seed growers and processors. Turf seed production is an important part of a diversified agricultural economy, particularly in northwest Minnesota.
- **\$2,000 in FY 2024 to the Minnesota State Poultry Association (MSPA)**
The MSPA is dedicated to the Preservation, Education and Promotion of Purebred Poultry in Minnesota and has been serving exhibition poultry raisers and breeders since 1886. Currently they are Minnesota's largest and longest running poultry club. Members are of varying ages and experience. MSPA is a strong supporter of the 4-H, FFA, and Junior exhibitors with promoting showmanship and educational programs for our youth.
- **\$34,000 annually to the Minnesota State Horticultural Society (MSHS)**
The MSHS serves northern gardeners and the horticultural industry in Minnesota and additional cold-climate regions, offering resources to thousands of members, garden clubs, plant societies, and anyone who wants to grow. The organization is now looking ahead to address current issues in horticulture, such as helping gardeners provide habitat and food for pollinators and helping cultivate underserved communities. In prior years, MSHS has received \$17,000 so this is an increase to their normal funding.
- **\$18,000 annually to the Minnesota Livestock Breeders Association (MLBA)**
MLBA is an organization composed of 24 of the principal statewide, purebred livestock associations of all species of livestock: beef cattle, dairy cattle, swine, sheep, and horses. These associations currently have a total membership of over 4,000 breeders of registered livestock. The organization is dedicated to the promotion of the long-term best interests of livestock breeders and producers and to represent them in the resolution of their common problems. The MLBA has always paid particular attention to the encouragement and guidance of youth. Numerous livestock programs and projects for Minnesota’s youth are conducted and financially supported by the Association. In the past the state grant funds have been used for livestock activities, including programs for youth, particularly through 4-H and FFA, and livestock education opportunities through events and activities such as the Minnesota State Fair and the Minnesota Beef Expo.

Impact on Children and Families:

The research conducted by the Center for Rural Policy and Development provides valuable information used by policy makers on a wide variety of issues of great importance to children and families. For example, recent work includes an analysis of the state of childcare in rural Minnesota and the impact of the pandemic on the rural workforce. In addition, some of the organizations use the grant funding to support youth programming, events, and education.

Equity and Inclusion:

This proposal does not have an impact related to equity and inclusion.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐ Yes

☒ No

Results:

The Center for Rural Policy and Development widely publicizes results of their research. This includes their website (www.ruralmn.org) as well as through their twitter account. The Center for Rural Policy and Development is frequently asked to provide data to various legislative committees with jurisdiction over agriculture, economic development, and related subject matter.

Connecting Minnesota farmers and processors with the international markets is a key component of NCI's mission. In 2019 alone, 274 participants from 37 different countries attended courses at NCI. Survey responses from more than 100 course participants indicated that 95% have greater confidence in the US supply chain as a result of NCI courses and 51% have increased the volume of US commodities purchased as a result of NCI courses. This includes increases in utilization of soybeans, corn, wheat, and dry edible beans. Domestically, NCI courses have resulted in increased utilization of sunflower, oats, wheat, soybeans, and dry edible beans. Activities and results of the Northern Crops Institute, including annual reports, are readily available on their website at <https://www.northern-crops.com/>.

This pass-through grant allows the Minnesota Turf Seed Council to continue financial support of basic and applied research benefiting Minnesota turf grass producers. Progress reports on this research are regularly posted on their website at www.mnturfseed.org as well as on the University of Minnesota Turfgrass Science page at <https://turf.umn.edu/research/seed-production>

Statutory Change(s):

No statutory changes will be needed.

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: Expanded Options for AGRI Sustainable Agriculture Demonstration Grant

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	0	0	0	0

Recommendation:

AGRI Starting Place: The Governor recommends changes to the Sustainable Agriculture Demonstration Grant statute (MINN. STAT. 17.116) to broaden reimbursable activities and increase options for in-kind match contributions.

Funding for this program comes from the Agricultural Growth, Research, Innovation (AGRI) program although funds are not specifically earmarked for this program. This proposed change does not include changes to the existing AGRI appropriations.

Rationale/Background:

Recipients of an AGRI SustAg Grants between \$25,000 and \$50,000 are required to provide a 50% match. The authorizing statute defines eligible sources of match as cash or in-kind land use contribution.

Previous grantees have noted that the land use match is confusing (land value is based on average county rental rates) and limits their ability to have labor and equipment use valued or reimbursed.

The intended results of this recommendation are to offer more options for grantees to come up with the match portion of their grant. This will make it easier for new, emerging or low-income farmers, or less well-resourced organizations to participate in projects that will help develop farming methods to reduce energy usage, improve profitability, or have a positive environmental impact.

Proposal:

This proposal is for a change to MINN. STAT. 17.116 that will allow grantees to count their own labor (at a set rate per hour) and use of their equipment (at standard rental rates) as their in-kind match instead of submitting those expenses for reimbursement.

Grantees who are not required to provide a match (grants under \$25,000) or those whose in-kind contributions exceed the amount needed for a match would also be allowed to submit labor expenses and equipment use for reimbursement from their grant funds. Farmers typically provide these services but they're not eligible for reimbursement under current law because they're not formal transactions, despite being very real costs for the producer.

This recommendation will be especially helpful for grantees who are new and emerging farmers. It will allow them to apply for a grant to conduct on-farm research while being paid for their labor and personal resources or using

them as an in-kind match instead of coming up with cash to make out of pocket purchases for their match contribution. Allowing other forms of in-kind match would reduce the amount of cash match a grantee would need to provide to complete a project and would make the grant program more accessible to applicants who have limited ability to contribute cash to their projects.

Impact on Children and Families:

Farm and ranch families with and without children are intimately involved in agricultural production. By providing grant opportunities to farmers conducting on-farm research they can help their farm and others become more profitable, energy efficient and viable, allowing future generations will be able to be involved in production agriculture.

Equity and Inclusion:

The AGRI SustAg Grant prioritizes projects attributing to the success of emerging farmers including historically underserved communities, such as, Black, Indigenous, and People of Color, immigrants, women, veterans, persons with disabilities, young and beginning farmers, LGBTQ+ farmers, and others. Each of our competitive grant programs prioritize underserved communities, consistent with Office of Grants Management policy. The MDA expects that this proposal will contribute to reducing inequities for targeted populations.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐ Yes

☒ No

Tribal governments, communities, and members eligible to apply for many of the AGRI programs. For instance, in FY 2022, Tribal communities and businesses received Farm to School, Urban Agriculture, Biofuels Infrastructure Financial Assistance, Good Food Access Program Equipment and Physical Improvement. Within our competitive grant programs, we prioritize projects that meaningfully include or benefit emerging farmers, including members of Tribal communities.

Results:

Expanded opportunities to have farmer labor and equipment use valued as part of the grant should provide greater opportunities for emerging farmers to apply for the AGRI SustAg grant while keeping out of pocket expenses at a minimum. Matching funds can be a difficult burden for emerging farmers and the organizations who support them. We expect to see an increase in applicants from these groups as a result of this change.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Current Value</i>	<i>Date</i>	<i>Projected Value (without)</i>	<i>Projected Value (with)</i>	<i>Date</i>
Quantity	# of AGRI SustAg Grant Applications Received	22	FY 2021	22	25	FY 2024
Quality	# of Grants over \$25,000 to Emerging Farmers and Emerging Farmer Organizations	0	FY 2022	0	2	FY 2024

Statutory Change(s):

MINN. STAT. 17.116 Subd. 3 will need to be amended to include these changes.

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: Modify Bee Kill Compensation Fund

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	-0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	0	0	0	0

Recommendation:

- The Governor recommends amending Minnesota Statute 18B.055 on bee kill compensation from a current maximum of \$20,000 with an exclusion for commercial beekeepers if MDA is able to determine a responsible party, to a proposed maximum of \$10,000 per bee kill incident without an exclusion for commercial beekeepers. This proposal will allow eligible commercial beekeepers to be compensated when a responsible party is determined and for much more rapid compensation of claims from commercial beekeepers. It can take a long time (sometimes >2 years) to complete an enforcement case and to exhaust any legal challenges to the case. As the statute is written currently, the MDA would not know if a commercial beekeeper were eligible for compensation until the pesticide misuse case is closed. This proposed change would simplify beekeeper compensation requirements so that reimbursements can be provided in a timely manner. Based on program expenditures so far, the cost of reimbursements likely would not change.
- Minnesota Statute 18B.055 “COMPENSATION FOR BEES KILLED BY PESTICIDE; APPROPRIATION” appropriates up to \$100,000 per fiscal year for compensating beekeepers due to acute pesticide poisonings and specifies the criteria for compensation. This proposal amends the criteria for compensation to allow eligible commercial beekeepers to be compensated when a responsible party is determined and provides for much more rapid payment of compensation requests. This proposal is not requesting any additional funds

Rationale/Background:

- Minnesota Statute 18B.055 “COMPENSATION FOR BEES KILLED BY PESTICIDE; APPROPRIATION” outlines the process for beekeepers to be compensated for loss of bees due to an acute pesticide poisoning. However, the requirement that the department determine if there is a responsible party who applied the pesticide can unduly delay compensation for the beekeeper and requires excessive staff time to manage.
- As written, beekeeper compensation may be tied to a pesticide misuse case closing (i.e., final determination of a responsible party). Since pesticide misuse cases can sometimes take 2+ years to close the beekeeper could be left in limbo not knowing when or how much compensation will be received. This change, to a proposed maximum of \$10,000 per bee kill incident regardless of the type of beekeeping operation or responsible party, would simplify requirements so that reimbursements can be provided in a timely manner.
- This proposal will streamline and improve implementation of the existing bee kill compensation program, allowing eligible beekeepers to be compensated in a timely fashion. This proposal will reduce the amount of staff time needed to compensate affected beekeepers.

Proposal:

- In this proposal, MDA is not requesting additional operating funds to maintain the agency's current level of service, but the MDA proposes to change the requirements for the existing bee kill compensation program. This proposal changes the statute to allow for compensation of eligible commercial beekeepers when a responsible party is determined and will address a potential delay in compensating commercial beekeepers by not tying compensation to the need to determine a responsible party (i.e., pesticide applicator), a process that can last years if the case goes to litigation. This proposal also helps address the excessive staff time needed to manage the compensation program by simplifying the directions about who can be compensated.
- This proposal does not change program revenues and based on the history of the program; MDA does not anticipate that this change will affect bee kill compensations. From the year the program started (2015) to 2020 the expenditure per FY has never exceeded \$6,966.62. MDA anticipates that this change may reduce program administration costs due to much faster and simplified processing of bee kill compensation requests.
- The MDA anticipates that this change would start in fiscal year 2024 and no further steps need to occur after the proposal is approved.
- The agency will evaluate success based on the average time it takes for eligible beekeepers to receive compensation.

Impact on Equity and Children and Families:

The MDA does not believe this proposal will adversely impact children, youth, families, people of color, Native Americans, people with disabilities, people in the LGBTQ community, veterans, other protected classes, or their services.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐ Yes

☒ No

Results:

It can take between 6 months and 2+ years for a beekeeper to receive compensation for a bee kill incident depending upon when the inspections unit closes the investigation case. When a pesticide applicator contests the case, it can go to litigation, leaving the case open for an unknown time. From 2015-2020 beekeepers have received between \$1,245 and \$6,192 for individual bee kill incidents. In 2021, there were three bee kill incidents, all these cases are still open.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Current Value</i>	<i>Date</i>	<i>Projected Value (without)</i>	<i>Projected Value (with)</i>	<i>Date</i>
Quantity	Length of time for beekeeper to receive compensation	2+ years		2+ years	< 6 months after compensation form is received by MDA	
Quality	NA					
Results	NA					

Statutory Change(s):

This proposal will require statutory changes in Minnesota Statute 18B.055.

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: Funding for the Pollinator Research Account

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	100	100	100	100
Revenues	0	0	0	0
Other Funds				
Expenditures	100	100	100	100
Revenues	100	100	100	100
Net Fiscal Impact = (Expenditures – Revenues)	100	100	100	100
FTEs	0	0	0	0

Recommendation:

The Governor recommends an ongoing General Fund appropriation of \$100,000 per year for the Pollinator Research Account with 100% of the funds passed through to the University of Minnesota. The proposal will also amend the statute to require that projects be selected in consultation with the MDA and to clarify that funding may also be used for research and outreach activities that, in addition to addressing pollinator habitat, can improve pest management practices that reduce the effects of pesticides on pollinators including, but not limited to, research on pest economic thresholds, effects of pesticides and seed treatments on pollinators, Integrated Pest Management (IPM), and development and promotion of pollinator stewardship materials.

Rationale/Background:

- Pollinators are critical to the health of Minnesota’s ecosystems; they are also an important part of agriculture for the pollination services they provide and products they produce (e.g., honey, wax). However, their populations are declining because of variety of factors including pesticides.
- Gaps still exist in our understanding of the reasons for pollinator decline, how pesticides affect pollinators, and how to use pesticides judiciously to reduce harm to pollinators while retaining economic strength.
- Multiple groups have concluded that a “Dedicated Pollinator Protection Account” would be beneficial to pollinators in Minnesota”:
 - 2016: The MDA’s special registration review of neonicotinoid insecticides conducted at the request of the legislature
 - 2017: The legislature in establishing a new “POLLINATOR HABITAT AND RESEARCH ACCOUNT”; under Minnesota Statute 18B.051. In 2022, the account was reinstated as the “POLLINATOR RESEARCH ACCOUNT,” but funding was not appropriated.
 - 2018: As a final report recommendation from the Governor’s Committee on Pollinator Protection
- An important point of connection and synergy was missed in Minnesota Statute 18B.051, as there was limited collaboration and communication with the MDA about the research that was funded by this legislation. A summary of outcomes and recommendations from the research is not available. The legislation did not require any reporting about how funds were used.
- The goal of this recommendation is to fund research and outreach activities focused on improving pollinator habitat and pest management practices that reduce the effects of pesticides on pollinators while retaining the economic strength of Minnesota’s agriculture. Topics could include, but are not limited to IPM, pest economic thresholds, pesticide seed treatments, pesticide risks to pollinators, and identifying pesticides management programs that are compatible with pollinators.

- Executive Order 19-28 “Restoring Healthy, Diverse Pollinator Populations that Sustain and Enhance Minnesota’s Environment, Economy, and Way of Life” mandated the creation of an Interagency Pollinator Protection Team, which the MDA is a member of. This team is developing an action framework to outline work that could be implemented to benefit pollinators. This proposal would provide a key source of funding for this work, and an important connection between research and policy to maximize benefits to pollinators. In 2016, the MDA conducted a special registration review of neonicotinoid insecticides for their impact on pollinators. As an outcome of the review, the MDA proposed the creation of a “Dedicated Pollinator Protection Account.” Funding for creating such an account for carrying out research and outreach activities was also supported by the Governor’s Committee on Pollinator Protection.

Proposal:

- This proposal provides increased funding to an existing program and provides greater detail on what the funding can be spent on. Funding will support an estimated 4-6 research and outreach projects per biennium with this account. This proposal will help reduce the effects of pesticides on pollinators by supporting research and outreach on improving pest management practices and pollinator habitat. This proposal will also facilitate greater collaboration and communication between the MDA and University of Minnesota Research and Extension about pollinator protection.
- The MDA anticipates that projects will be funded beginning in fiscal year 2024. The MDA and University of Minnesota Research and Extension will collaborate to develop research and outreach projects focusing on pollinator habitat, IPM, pest economic thresholds, pesticide seed treatments, pesticide risks to pollinators, and identifying pest management programs that are compatible with pollinators, etc.
- The agency will evaluate success based on the number of funded research and outreach projects and the resulting actionable outcomes that help to reduce the impact of pesticides on pollinators.

Impact on Children and Families:

- Pollinators are an integral part of ecosystems that support wildlife and provide aesthetic and ecological benefits such as carbon storage and improved water quality for everyone including children, youth, and families. Pollinators are also crucial for the reproduction of many native plants and cultivated food crops. Native peoples traditionally recognized the importance of pollinators for cultural symbolism and services they provide. This project will contribute to creating increased access to healthy landscapes that support cultural values. The United States Department of Agriculture estimates that crops dependent on pollination are worth more than \$10 billion per year and more than 150 food crops in the U.S. depend on pollinators, including many Minnesota native plants and almost all fruit and grain crops.
- Pollinators are key to producing healthy landscapes. Without them, existing populations of plants would decline, even if soil, air, nutrients, and other life-sustaining elements were available. Pollinators sustain habitat, support wildlife, and provide aesthetic and ecological benefits that help all communities including children, youth, and families.
- Practices that are implemented now to protect pollinators will help protect them for future generations.

Equity and Inclusion:

- While this proposal is not designed to directly reduce or eliminate inequities for the stakeholders listed above, all Minnesotans are impacted by the wellbeing of pollinators. Historically not everyone has benefitted equitably from the protection of pollinators. Unequitable pollinator conservation and education can lead to underserved communities missing out on resources for community enhancement and the ecosystem benefits pollinators provide.
- Structural inequities affect the ability for the above stakeholder groups to access healthy food, clean water, and land ownership and management. Pollinator research and outreach can indirectly affect these inequities by creating stronger and more resilient ecosystems and food systems.

- Efforts will be made to prioritize research and outreach projects that reduce or eliminate inequities (e.g., translations, partnering with emerging farmers).
- This proposal will help to sustain healthy pollinator populations which contributes to a strong food system, clean water, and economic opportunities, among many other benefits to all Minnesotans. We do not anticipate any negative impacts of this proposal to the stakeholders listed above.
- The MDA has engaged with many intended beneficiaries, including state agencies, University research and extension, farmers, environmentalists, and other stakeholder since the legislature created the “Pollinator Habitat Program” in 2013.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐ Yes

☒ No

Results:

- There was no required reports or performance measures for Minnesota Statute 18B.051 “POLLINATOR RESEARCH ACCOUNT.”
- In 2016, at the request of the legislature, the MDA conducted a special registration review of neonicotinoid insecticides for their impact on pollinators. As an outcome of the review, the MDA proposed a creation of a “Dedicated Pollinator Protection Account.”
- In 2017, the legislature established a new “POLLINATOR HABITAT AND RESEARCH ACCOUNT; under Minnesota Statute 18B.051. Funds were appropriated to the Board of Regents of the University of Minnesota for pollinator research and outreach.
- A summary of outcomes and recommendations from the research is not available. The legislation did not require any reporting about how funds were used.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Current Value</i>	<i>Date</i>	<i>Projected Value (without)</i>	<i>Projected Value (with)</i>	<i>Date</i>
Quantity	Number of research and outreach projects funded through this program	Unknown		0	2-6 projects per biennium	
Quality	Actionable outcomes that help to reduce the impact of pesticides on pollinators	Unknown		0	2 or more actionable outcomes per project	
Results	NA					

Statutory Change(s):

This proposal will require changing Minnesota Statute 18B.051 “POLLINATOR RESEARCH ACCOUNT.”

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: AgBMP Revolving Loan Program Increase

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	2,000	2,000	3,000	3,000
Revenues	0	0	0	0
Other Funds				
Expenditures	2,000	2,000	3,000	3,000
Revenues	2,000	2,000	3,000	3,000
Net Fiscal Impact = (Expenditures – Revenues)	2,000	2,000	3,000	3,000
FTEs	0	0	0	0

Recommendation:

The Governor recommends a transfer of \$2 million annual base appropriation in FY 2024 and FY2025 and then \$3 million in FY 2026 and FY2027 from the general fund to the Agricultural Best Management Loan Program (AgBMP) account in the Miscellaneous Special Revenue Fund to increase lending capacity for projects and practices that help our state's air and water quality. This request includes increasing the allowable amount the AgBMP program is allowed to appropriate from \$140,000,000 to \$280,000,000.

The current corpus of the program is about \$85 million. This request would be about a 12 percent increase in total appropriations.

Rationale/Background:

The purpose of the AgBMP Loan Program is to provide low interest financing through local lenders to farmers, agriculture supply businesses, rural landowners, and water-quality cooperatives for the implementation of best management practices that prevent, reduce, or eliminate environmental pollution and provide climate change benefit. Local government units prioritize available funding for projects or practices through concerns identified by local county watershed plans or county concerns. This program has a very low transaction cost, and as loans are repaid the repayments are revolved back into a Local Government Unit budget to fund additional projects. The AgBMP loan program receives no revenue through the lending process. Repayments are guaranteed by our partnering lenders. Since 1996 there has been no defaults to the MDA AgBMP Loan Program by lenders.

This proposal would reduce the funding shortfall for the AgBMP Loan Program. We have many counties requesting additional funding to finance eligible but unfunded projects. (The 2020, 2021, and 2022 local government requests exceeded available funding by an average of \$25 million dollars each year.) This additional funding would allow these counties to approve more projects than what their current available funding allows. If additional funds are not made available, local governments must delay or deny projects that would otherwise be completed.

Proposal:

This request of \$2 million for the next 2 fiscal years (FY24 and FY25) and 3 million for the following 2 fiscal years (FY26 and FY27) will be transferred to the AgBMP Loan Program's revolving lending account.

It will immediately increase the AgBMP Loan Program's existing lending capacity by \$3 million per year. Future repayments would increase roughly by about \$.45 million annually in repayment revenue per year.

Fiscal Year 2021 loan activity was about 600 loans totaling \$12.7 million. Based on the observed Loan activity and practice categories, a \$10 million appropriation would likely result in approximately 264 additional loans over the next few years and increase projects in subsequent years as the funds revolve. As a revolving loan fund, repayments received are made available to re-lend, creating a perpetual cycle for financing water quality projects.

This is not a request for additional equipment, supplies, administration cost or a change of use from previous years.

Our proposal is complimentary with grants and other loans from the Department of Agriculture, lenders or other state and federal government agencies.

The Biannual AgBMP reports will be the source of showing the number of projects or practices that received loans within this program that assisted with Phosphorus, Nitrogen and Sediment reduction.

Impact on Children and Families:

It can be difficult to measure the exact effect upon the lives of children outside of this potentially helping their parents provide a healthier environment, cleaner drinking water, healthier food, or even potentially additional income to support their families.

Equity and Inclusion:

This program does not specifically target any protected group but is open to all that qualify within Minnesota. This program can be the difference between having access to capital in order to continue, expand, modernize, or achieve regulatory compliance in farming operations. This would most appropriately be viewed as a significant net positive for the people obtaining additional capital.

Tribal Consultation:

This program does not specifically target any group but is open to all that qualify within Minnesota.

☐ Yes

☒ No

Statutory Change(s):

Minnesota Statutes Section 17.117 Subd 3.

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: Fertilizer Tonnage Fee Increase

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	0	750	750	750
Revenues	0	750	750	750
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	0	4.8	4.8	4.8

Recommendation:

The Governor recommends a FY2025-27 Agriculture Fund appropriation of \$2,250,000 to provide an additional funding to aid in the oversight of the use, storage, and distribution of fertilizer, to modernize the regulatory process, to deliver consumer protection to fertilizer users, and to support efforts to protect groundwater resources from nitrogen contamination. The Minnesota Department of Agriculture regulates fertilizer including anhydrous ammonia in Minnesota. The initiative is comprised of 4 complimentary proposals:

1. **Fertilizer Inspection.** This proposal supports additional resources that are needed to continue the current level of inspections of facilities, enforcement of noncompliance and response to spills and long-term cleanups. More than 900 locations in the state store and distribute approximately 3 million pounds of fertilizer annually. Fertilizer contamination constitutes more than 50% of the cleanups MDA addresses each year. Because of current funding constraints regulatory inspections of the use, storage and distribution of fertilizer are limited.
2. **Bulk Agricultural Chemical Fertilizer Storage Facility Permitting.** This proposal addresses facilities that store bulk agricultural chemicals (liquid, dry and anhydrous ammonia). Many of the new sites are becoming larger and more complex. The MDA plan reviews must assure that adequate safeguards exist to protect the environment from a release. This proposal supports an improved permit process, that would allow for greater oversight, and provide assurances of adequate environmental safeguards.
3. **Nitrogen Point Source Evaluations & Investigations.** This proposal supports the efforts needed to determine if point sources may be contributing nitrogen to the groundwater contamination detected in municipal and community wells in the identified Drinking Water Supply Management Areas (DWSMAs).
4. **Fertilizer sampling program.** This proposal would support the sampling of consumer fertilizer products to confirm the guaranteed analysis listed on the label or invoice.

The proposals describe program initiatives that address critical needs. Implementation activities will be phased-in over several years.

Rationale/Background:

Fertilizer in the environment can pose a serious human health risk. Fertilizer distribution and use in Minnesota has been very consistent and is reported at nearly 3 million tons. The current regulatory program has insufficient resources to continually conduct regular facility inspections, establish high-level incident response preparedness, to evaluate potential point source groundwater contamination or to assess the claims made by fertilizer products and provide consumer assurances.

Nitrate leaching from improperly stored or managed nitrogen fertilizer can be a source of nitrate contamination in surface water and groundwater. Anhydrous ammonia fertilizer poses public health risks where it is used or stored. Its use at times leads to dangerous releases. Fertilizer spills constitute more than 50 percent of agricultural chemical cleanups that the MDA addresses each year. This proposal provides resources needed to address the ongoing risk to the environment from fertilizer use, storage, and handling practices. It will allow the MDA to continue the current inspection capacity and ensure proper safeguards at storage facilities, to investigate potential point source groundwater contamination and to strengthen response to emergencies, incidents, and spills.

Proposal:

This proposal describes initiatives that address critical needs. The proposal suggests a \$0.25/ton increase in the current fertilizer inspection fee. The current fee is \$0.39. This initiative creates a more effective and efficient fertilizer program. The expected outcomes are improved use, handling and distribution resulting in fewer misuse incidents, spills, leaks, contamination, and environmental cleanups. Some of the indicators for this proposal include:

- frequency of facility inspections.
- processing time for providing licenses, registrations or permits.
- increased investigations regarding potential point source groundwater contamination; and
- increase the number of fertilizer samples collected to determine guaranteed analysis.

The MDA has evaluated current revenues to the fertilizer account and determined that funding is inadequate to meet current and future program needs as well as modernize program activities. Inadequate funding for existing and proposed comprehensive fertilizer regulatory response programs will not allow MDA to provide sufficient consumer protection compliance checks, investigations regarding groundwater contamination, and other program activities. Proposed increase funding to the fertilizer account will provide an overall increase in oversight that will result in a reduced risk of major chemical incidents and reduced leaching of nitrate to groundwater and runoff of nitrate to surface water.

Inspections and permit reviews:

In 2012 the MDA was appropriated a one-time amount of \$280,000 to hire additional staff to inspect anhydrous ammonia facilities. This allowed the inspection interval of these facilities to be reduced from 7 years down to 3 years. Due to the flat fertilizer revenues over the past 10 years the MDA can no longer support these added resources to continue this three-year rotation.

In order to keep the anhydrous ammonia inspection program at the three year cycle the MDA has had to limit the number of staff involved in permitting and inspecting Bulk Fertilizer storage facilities which puts the environment at risk due to non-compliance of storage requirements. The number of permit applications has remained steady over the years; however, the size and complexity of the facilities has grown. Where 10 years ago we permitted 1-million-gallon storage facility today there are several, elevating the potential risk to the environment if these facilities are not constructed or maintained properly.

In order to continue to support the inspection and permitting of the bulk storage facilities it is estimated that we will need an additional \$375,000 per year or 2.5 FTE's.

Nitrogen Point Source Evaluations & Investigations.

The Groundwater Protection rule, which became effective June 24, 2019, contains two parts. Part 1 of the Groundwater Protection rule focuses on restrictions to fall application of nitrogen fertilizer for growers, and Part 2 of the rule responds to Drinking Water Supply Management Areas (DWSMAs) which already have elevated nitrate. Part 2 of the rule requires the Minnesota Department of Agriculture (MDA) to determine if point sources exist that are contributing to elevated nitrate concentrations in groundwater in impacted DWSMAs. A point source such as an agricultural chemical facility which stores and handles bulk quantities of pesticides and

fertilizers may be a potential point source for nitrate contamination to groundwater. Small spills of pesticides and fertilizers may occur at these facilities during routine operations, and large spills may also occur occasionally. These spills may migrate downward through the soil column and cause groundwater contamination. If the agricultural chemical facility is located within the DWSMA, it is important to determine if the facility has contributed nitrate contamination to the groundwater and specifically to the impacted water supply wells. If the facility is causing the nitrate contamination to the water supply wells, then the Incident Response Unit within the MDA can work with the responsible party to clean up the soil and groundwater contamination which will eventually reduce the nitrate contamination to the water supply wells. This would be more appropriate than asking area farmers to alter their practices if the farming practices are not causing the nitrate contamination in the local water supply wells.

The Incident Response Unit has been requested to assist the Fertilizer Non-Point Section to determine if point sources may be contributing nitrogen to the groundwater contamination detected in municipal and community wells in the identified Drinking Water Supply Management Areas (DWSMAs). This proposal includes cost estimates for the following tasks:

- Staff time to conduct initial site evaluations
- Staff time to conduct initial sampling
- Staff time to oversee site investigations
- Contracting costs to hire environmental contractors to conduct soil and groundwater investigations.

The estimated costs for staff time would be approximately \$50,000 or 0.3 FTEs to do the evaluations and oversee the investigations. Contracting costs for the investigations is estimated at \$100,000/year.

Fertilizer sampling program.

The Minnesota Department of Agriculture (MDA) requires per Statute, Chapter 18C.211 that if plant nutrients are guaranteed, then they are subject to inspection. The reason for an inspection is to verify that what is being advertised and sold is correct and is not misbranded or adulterated. At the current funding MDA does not sufficient funds to conduct an active sampling and testing program. On occasion, MDA receives complaints from growers to test a fertilizer when the guaranteed analysis is in question. When this occurs, the MDA is unable to respond and provide the testing. The industry would benefit from an MDA sampling and testing program so that it gives assurances to growers that the guaranteed analysis is correct thereby building trust between growers and distributors. This is important as the high cost of inputs impacts the bottom line of a farming operation. The assurance that the fertilizer being purchased matches the guaranteed analysis and therefore the N,P,K inputs are correct will help optimize yields.

This proposal includes cost estimates for the following tasks:

- Staff time to conduct sampling efforts and coordinate the response to the growers and dealers
- Laboratory costs to do the analysis, including staff and supply costs

The estimated costs for staff time to sample and coordinate samples would be approximately \$150,000 or 1 FTE. Laboratory costs to do the analysis would be approximately \$100,000 including 0.9 FTE's.

Impact on Children and Families:

This proposal builds upon the MDA's mission to protect human health and the environment. This proposal will allow MDA to continue a high level of inspection and permitting of bulk storage facilities, which will minimize risk to any exposure to contamination from release into the environment. It will also provide resources to investigate the potential point sources contributing to the elevated nitrate concentrations in groundwater contamination in the vulnerable DWSMA's across the state.

Equity and Inclusion:

The MDA does not believe this proposal will adversely impact disadvantaged communities.

Tribal Consultation:

The MDA does not believe this proposal will have a substantial direct effect on any Minnesota Tribal Government.

Results:

The MDA will deliver increased consumer protection, provide compliance assistance and clientele accessibility, improve fertilizer oversight, decrease intervals between inspections, respond to fertilizer spills and emergencies, investigate misuse complaints, and respond to emergencies. Some of the expected outcome indicators for this proposal include greater frequency of facility inspections, improved permitting review, and identification of point sources related to elevated nitrate levels in public drinking water wells, as well as the assurance of the growers that the fertilizers they are paying for is what they are getting. Expected environmental protections include lower the risk of major fertilizer incidents, fewer incidents of human exposure to anhydrous ammonia, and fewer spills and less leaching of nitrate to groundwater and runoff of nitrate to surface water.

The goal of the program is to provide oversight and assistance that will help raise industry operating standards and reduce fertilizer environmental losses, spills and misuse, storage mishaps, misapplications, and the overall negative impacts of fertilizer on the environment. The activities from this initiative include:

- **Fertilizer Inspection.** This proposal supports additional regulatory inspections of facilities, enforcement of noncompliance and response to spills and long-term cleanups.
- **Bulk Agricultural Chemical Fertilizer Storage Facility Permitting.** This proposal supports an improved permit process, more site inspections and greater oversight, and provides assurances of adequate environmental safeguards of facilities that store bulk agricultural chemicals.
- **Nitrogen Point Source Evaluations & Investigations.** This proposal will help to identify the potential point sources to elevated nitrates in public drinking water supplies. It will also allow the department to work with those responsible parties to address the release and eventually reduce the nitrate levels in the affected water supply wells.
- **Fertilizer sampling program.** This proposal would allow the MDA to conduct fertilizer sampling and testing so that it gives assurances to growers that the guaranteed analysis is correct thereby building trust between growers and distributors. This is important as the high cost of inputs impacts the bottom line of a farming operation and it is important to get what the consumer is paying for.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Current Value</i>	<i>Date</i>	<i>Projected Value (without)</i>	<i>Projected Value (with)</i>	<i>Date</i>
Quantity	Nitrogen Point Source evaluations	1	2021	0	2-3 sites evaluated	2024
Quality	Rotation of regular anhydrous inspections	3-year rotation	2021	7-8-year rotation	3-year rotation	2024
Results	Fertilizer samples collected for guaranteed analysis	0	2021	0	200 samples	2024

Statutory Change(s):

This proposal will require a change to statute 18C

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: Updated Fee Structure for Nursery Certificates

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	0	0	0	0

Recommendation:

The Governor recommends an updated fee structure for nursery stock certificates. The updated fee structure should result in a similar amount of revenue but is in better alignment with the amount of nursery stock moved by individual certificate holders. Small growers/sellers of nursery stock will see a reduction in fees, medium sized growers/sellers should see little change in fees and large growers/sellers may see a small increase. The new fee structure could result in a decrease in revenue, but we do not expect it to be enough to affect operation of the program.

Rationale/Background:

The MDA is responsible for the Nursery Law (Minnesota Statutes, Chapter 18H), with the purpose of preventing the introduction into and the dissemination within Minnesota of harmful plant pests. Nursery stock must be inspected and certified free of harmful plant pests prior to sale.

The inspection and certification program provides a vital service to the nursery industry and protects consumers from purchasing problems. Annual inspections serve to reduce losses to harmful pests as problems are detected and treated before they can cause more serious damage. The certified stock can move freely within the United States and special certificates are issued for export. A standard of quality is maintained to assure the industry as well as consumers that the product they are purchasing is viable and in a healthy condition.

The MDA nursery program has reviewed MS Chapter 18H with our nursery advisory group and is proposing a significant update to elements of 18H pertaining to the collection of fees. These updates make significant changes to certain elements of the program, but should not affect the basic program operation. We are anticipating that the program will continue to operate as normal with revenue generated by the updated fee structure.

Proposal:

The basis for this change to statute is the elimination of two separate categories of nursery stock certificate holder. To date, certificate holders have been defined as either “growers” who grow more than 50% of their stock to a larger size class before selling, and “dealers” who bring in and resell more than 50% of their stock without growing them to a larger size class. This is an arbitrary distinction as many “growers” also bring in and sell stock without growing to a larger size, and many “dealers” also grow stock. To date, each certificate category has had a separate fee schedule with each based on different parameters. The grower fee schedule has been based on the number of acres of growing stock and the dealer fee schedule has been based on gross sales of plants. Having two different fee schedules creates incentives for certificate holders to identify as one or another category depending on which may result in a lower certificate fee.

In this proposal, we have eliminated these separate categories in favor of a single certificate category, “live plant dealer” which uses a single schedule for calculating the certificate fee. The updated fee schedule has 3 components:

- A base fee (\$50)
- A growing fee (\$100 plus \$10/acre of growing stock up to 200 acres)
- A plant purchase fee (a schedule based on gross purchases of nursery stock)

The updated fee structure creates a consistent basis for calculating the fee for all entities participating in the nursery stock industry. We have worked to evaluate this fee structure in comparison to fees collected by program in other states and feel that this updated structure will bring us in better alignment regarding fees collected and the economic activity generated by nurseries in Minnesota as compared to other states. In addition, we have vetted this proposal through an advisory group comprised of representatives from the Minnesota Nursery and Landscape Association as well as nursery business representatives and others involved in the nursery industry.

Impact on Children and Families:

This proposal does not have an impact in this area.

Equity and Inclusion:

This proposal does not have an impact in this area.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐ Yes

☒ No

IT Costs

This proposal does not have an impact in this area

Results:

Part A: Performance measures

Number of Certificate Holders: The total number of certificate holders have trended down over the past five years. With these changes to certificate fees, we anticipate that this number will increase. We anticipate that there are small businesses that do not obtain a certificate as required because the current cost is prohibitive.

Certificate Type	2017	2018	2019	2020	2021
Grower	250	248	286	232	236
Dealer	1,989	1,951	2,158	1,819	1,837
Total	2,239	2,199	2,444	2,051	2,073

Number of Inspections: The number of inspections conducted by the program has trended upward over the past five years. This has primarily been due to staffing levels becoming more stable over this period. The number of inspections conducted by the program is likely to increase in the future as more efficiencies are discovered, but it is unlikely that the proposed fee changes will directly affect inspection levels.

Inspection Type	2017	2018	2019	2020	2021
Grower	368	391	406	444	471
Dealer	148	248	238	162	233
Total	516	639	644	606	704

Number of Violations and Pest Incidents: Violations and pest incidents vary based on issues occurring in the industry in any given year. We do not expect that this proposal will have a direct impact in this area.

Issue	2017	2018	2019	2020	2021
Pest Incidents	627	830	724	801	590
No Certificate	3	7	3	5	3
Other violations	50	205	71	55	81

Statutory Change(s):

Chapter 18H

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: Services to Immigrant and BIPOC Producer and Food-System Businesses

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	250	250	250	250
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	250	250	250	250
FTEs	0.25	0.25	0.25	0.25

Recommendation:

The Governor recommends \$250,000 from the general fund to support organizations (such as the Hmong American Farmers Association, the Latino Economic Development Center, and the Metropolitan Economic Development Association), and regional organizations such as Initiative Foundations, to provide culturally appropriate services to immigrant and BIPOC agricultural producers and food-system-related businesses out of the General Fund. Most of the recommended funding, \$175,000, would go toward contracts with partner organizations. An additional \$25,000 is recommended to cover 0.25 FTE within the Department to manage and coordinate grants and services within the Emerging Farmers Office. Finally, \$50,000 is recommended to support Department delivery of services through the Emerging Farmers Office in addition to those provided by support organizations. There is currently no budget dedicated to services specifically for immigrant and BIPOC producer and food system businesses within the MDA.

Rationale/Background:

Historic legacies of discrimination have created uneven footing, exacerbating disparities in opportunity in our food and agricultural systems for BIPOC producers and support businesses/organizations. These disparities are also deepened through lack of trust between communities and the state government, requiring thoughtful engagement work to build relationships and open communication. The Emerging Farmers Working Group members have indicated that services specifically tailored for new and emerging farmers and BIPOC producers would be beneficial in reducing disparities in opportunity access.

Services would include technical assistance such as training on rules, requirements, and best practices, and farm and food business navigators who could assist with land rental and lease agreements. Successful outreach and support are most effective when building upon existing networks, relationships, and delivered through culturally appropriate methods (including but not limited to language, media, trust, etc.). For this reason, this funding recommendation is split between support for internal Department offerings and planned contracts with organizations already working with BIPOC producers and farmers.

Proposal:

This funding would support new programming and services within the Department, as well as a new contract opportunity for support organizations in the state. The external funding will be available to organizations that have established relationships with historically underserved populations, and the ability to provide technical assistance, clear information, and education. \$175,000 would be available annually for grants or contracts to support this external technical assistance. \$25,000 is recommended to support 0.25 FTE within the Emerging Farmers Office at the Department. This staff member would coordinate the contracts and facilitate

communication and connection between all technical assistance being offered. Additionally, \$50,000 is recommended to support MDA technical assistance and education for historically underserved populations including new and emerging farmers and BIPOC producers and food business owners.

Impact on Children and Families:

Better services and opportunities for new and emerging farmers and BIPOC producers throughout the state will result in more stable farm businesses, and more stability for children and families directly related to those farmers. Additionally, more small food businesses throughout the state have the potential to directly increase fresh, local food consumption for all, including children and families. Lastly, increasing support for emerging farmers and BIPOC producers has a strong potential to impact generational wealth disparities, leading to more long-term stability in the overall population.

Equity and Inclusion:

This proposed grant and services funding directly impacts existing inequities in opportunities for farmers and producers. By focusing the grant program on new and emerging farmers and BIPOC producers, and by providing funding in the form of grants to support organizations, more support services, technical assistance, and information will be available specifically for people of color, Native Americans, people with disabilities, people in the LGBTQ community, other protected classes, or Veterans. The Department conducted listening sessions and collected ideas with an online portal this fall, resulting in 47 unique proposals directly related to emerging farmers and BIPOC producers. Additional proposals were submitted related to business development and environmental concerns that connect directly to support for emerging farmers. Several of these proposals centered around grant opportunities for new and emerging farmers, especially those that could be used for equipment and physical infrastructure development.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☒ Yes

☐ No

All Minnesota Tribal governments would be affected by this proposal. As an identified group within the definition of emerging farmer, organizations working with Indigenous farmers would be eligible for grant funding. These organizations would provide services specifically for Indigenous farmers and producers.

Results:**Part A: Performance measures**

This new funding is intended to provide services directly to new and emerging farmers and BIPOC producers and food business owners throughout Minnesota. Information on services needed must come directly from members of historically underserved populations, so performance measures will incorporate evaluation of engagement as well as use of services. Measures will determine metrics such as the following:

- How many contracts were created with support organizations to provide technical assistance?
- What areas of assistance are provided by support organizations?
- How satisfied are customers with services provided by the MDA and support organizations?
- How many new and emerging farmers and BIPOC producers are helped annually?
- How many new and emerging farmers and BIPOC producers have implemented information gained from services or technical assistance provided?
- What return on investment is seen for new and emerging farmers and BIPOC producers who have implemented information?

Statutory Change(s):

None.

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: Down Payment Assistance Grant Expansion

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	0	0	0	0

Recommendation:

The Governor recommends amending the FY 2022-2023 budget rider, appropriating \$500,000 in FY23 and \$750,000 in subsequent fiscal years for the Down Payment Assistance Grants, to provide specific authority for the Minnesota Department of Agriculture (MDA) to carryforward unobligated Down Payment Assistance Grant funds each fiscal year into the following fiscal year. Although the MDA may spend the full appropriation in any given fiscal year, this proposal allows any unspent funds to roll forward into any following fiscal year to issue additional grants.

Rationale/Background:

This recommendation allows flexibility to spend the full amount of the dollars appropriated for dawn payment assistance grants. It is impossible to predict whether all the first-year funds can be spent prior to June 30, 2023 because of the lag time between when farmers express interest in down payment assistance grants and the potential lag time between approval and land purchases closing. This proposal ensures that all the funds appropriated by the legislature are used for their intended purpose by allowing any unspent funding at the end of any fiscal year to be carried forward into the following fiscal year.

Proposal:

The Governor requests that the FY2023 forward budget rider be amended to make it clear that any unencumbered funds remaining at the end of the first year and any subsequent fiscal years are available for the following fiscal years.

Impact on Children and Families:

Farm and ranch families with and without children are intimately involved in agricultural production. Children of all ages benefit from the ability of their families to purchase farmland.

Equity and Inclusion:

We anticipate that members of identified groups will benefit in the same ways as the general population and do not foresee any negative impacts on identified groups.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐ Yes

☒ No

Results:

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	# Of farmers receiving down payment assistance grants	N/A	32	FY23

Statutory Change(s):

17.133 Farm Down Payment Assistance Grants

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: Legalizing Adult-Use Cannabis

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Cannabis Management Office Expenditures	15,430	14,841	13,980	13,711
DEED Expenditures	10,400	6,700	0	0
Health Expenditures	8,115	8,115	8,115	8,115
Public Safety Expenditures	4,175	2,662	2,662	2,662
Revenue Expenditures	3,673	3,118	3,138	3,153
Human Services Expenditures	2,260	6,476	6,476	6,476
Cannabis Expungement Board Expenditures	921	844	844	844
Pollution Control Expenditures	607	496	70	70
Supreme Court Expenditures	545	545	0	0
Higher Education Expenditures	500	500	500	500
Agriculture Expenditures	411	411	338	338
Natural Resources Expenditures	338	0	0	0
Education Expenditures	180	120	120	120
Labor and Industry Expenditures	132	132	132	132
Commerce Expenditures	75	283	569	799
Corrections Expenditures	(177)	(345)	(407)	(458)
Tax Aids, Credits, and Refunds Revenues	5,800	31,000	79,300	130,800
Cannabis Management Office Revenues	1,996	3,330	4,000	6,000
State Government Special Revenue Fund				
Health Expenditures	(3,424)	(3,424)	(3,424)	(3,424)
Health Revenues	(7,411)	(10,879)	(12,973)	(19,223)
Trunk Highway Fund				
Public Safety Expenditures	5,608	1,668	1,668	1,668
Outdoor Heritage Fund				
Tax Aids, Credits, and Refunds Revenues	(3)	96	330	594
Arts and Cultural Heritage Fund				
Tax Aids, Credits, and Refunds Revenues	(2)	57	198	356
Clean Water Fund				
Tax Aids, Credits, and Refunds Revenues	(3)	96	330	594
Parks and Trails Fund				
Tax Aids, Credits, and Refunds Revenues	(1)	41	142	257
Net Fiscal Impact = (Expenditures – Revenues)	49,393	19,401	(36,546)	(84,672)
FTEs	92	98	104	104

Recommendation:

The Governor recommends funding for the safe and responsible legalization of cannabis for adults in Minnesota. A new Cannabis Management Office will be responsible for the implementation of the regulatory framework for adult-use cannabis, along with the medical cannabis program, and a program to regulate hemp and hemp-derived products. This recommendation also includes funding for grants to assist individuals entering the legal cannabis market, provides for expungement of non-violent offenses involving cannabis, and implements taxes on adult-use cannabis.

Rationale/Background:

Prohibiting the use of cannabis in Minnesota has not worked. Despite the current prohibition, marijuana is widely consumed across Minnesota. The most recent Minnesota Survey on Adult Substance Use conducted in 2014-2015 found that nearly half (44%) of Minnesota adults reported using marijuana at some point during their lives. The maturation of the market for hemp-derived cannabinoid products following the 2018 Farm Bill culminating in the 2022 legislation authorizing hemp-derived THC edible cannabinoids have created urgency for comprehensive regulation and reform at the state level.

Regulating cannabis for use by adults will replace the abundant illicit market with a tightly regulated system with controls similar to those currently accepted for the sale of alcohol. This proposal will allow for the monitoring and regulation of its cultivation, processing, transportation and sale, activities currently occurring to the profit of drug cartels and criminals and without consumer protection guardrails.

Importantly, this proposal will begin to address racial inequities our current system has created. Despite survey data suggesting that Black and white Minnesotans use cannabis at similar rates, in 2021 Black Minnesotans were over four times more likely than their white counterparts to be arrested for marijuana according to data from the Bureau of Criminal Apprehension.

Marijuana prohibition additionally leaves potential tax revenue uncollected and furthers an opportunity for economic growth in the underground market. This proposal will bolster amounts available the General Fund for policymakers to prioritize while grant programs administered by DEED and the Office of Cannabis Management will further ensure Minnesotan entrepreneurs have the best opportunity to become the new adult-use market.

Finally, this approach is now well-tested across the country. Nineteen states and the District of Columbia have passed laws to legalize and regulate cannabis for adults. In Colorado, the first state to adopt this approach, legal sales began in January 2014 so there is now nearly a decade of implementation experience in other states to help craft this proposal for Minnesota.

Proposal:

This proposal creates a new agency, the Cannabis Management Office, which would be responsible for the implementation of a new regulatory framework for adult-use cannabis. The Office of Medical Cannabis will also move from the Department of Health to join this new agency. The office will be headed by a director appointed by the Governor and receive advice from a Cannabis Advisory Council with representatives from experts, local governments, the cannabis industry and relevant state agencies. The core duties of the office will include:

- to develop, maintain, and enforce an organized system of regulation for the lawful cannabis industry
- to establish programming, services, and notification to protect, maintain, and improve the health of citizens.
- to prevent unauthorized access to cannabis by individuals under 21 years of age.
- to establish and regularly update standards for product testing, packaging, and labeling.
- to promote economic growth with an emphasis on growth in areas that experienced a disproportionate, negative impact from cannabis prohibition.
- to issue and renew licenses.
- to impose and collect civil and administrative penalties.
- to authorize research and studies on cannabis, cannabis products, and the cannabis industry.

Adult-use cannabis will be subject to a new 15% gross receipts tax and state sales tax with retail sales beginning January 1, 2025. A new 15% gross receipts tax would also be imposed on the retail sale of edible cannabinoid products with retail sales beginning October 1, 2023.

The proposal authorizes three grant programs to support the establishment of cannabis businesses in Minnesota. Cannabis grower grants administered by the Office of Cannabis Management will provide farmers with assistance navigating the new industry and regulations along with subsidized loans for expanding into legal cannabis. Administered by the Department of Employment and Economic Development industry navigation grants and industry training grants will assist individuals in setting up a legal cannabis business through technical assistance and navigation services while providing grants to organizations and individuals for training on cannabis jobs.

The proposal provides for automatic sealing of dismissals, exoneration, convictions, or stayed sentences of petty misdemeanor and misdemeanor marijuana offenses by the Bureau of Criminal Apprehension, which will provide notice of the expungement to local law enforcement agencies as well as the Judicial Branch for compliance purposes. It also provides for the establishment of a Cannabis Expungement Board to review other cannabis convictions to consider eligibility for expungement or resentencing.

The proposal authorizes the Governor to enter into compacts with Minnesota Tribal governments on issues related to medical cannabis and adult-use cannabis.

The proposal finally provides significant resources to address substance use disorders. The proposal includes initial funding for grants directed by the advice of a Substance Use Disorder Advisory Council convened by the Department of Human Services. Five percent of the revenue from the cannabis gross receipts tax would flow into this fund to support these grants into the future.

Appropriations necessary for its implementation include:

- \$30,271,000 in FY2024/2025 and \$27,691,000 in FY2026/2027 to establish and begin operations of a new Cannabis Management Office responsible for the implementation of the new regulatory framework.
- \$822,000 in FY2024/2025 and \$ 676,000 in FY2026/2027 to the Department of Agriculture for food safety and pesticide enforcement lab testing and rulemaking related to changes in cannabis laws.
- \$1,765,000 in FY2024/2025 and \$1,688,000 in FY2026/2027 for a newly created Cannabis Expungement Board for staffing and other expenses related to reviewing criminal convictions and issuing decisions related to expungement and resentencing.
- \$358,000 in FY2024/2025 and \$1,368,000 in FY2026/2027 for the Department of Commerce for staffing and other expenses to complete scale, and packaging inspections.
- A reduction of \$522,000 in FY2024/2025 and \$865,000 in FY2026/2027 to the Department of Corrections' base budget to account for an expected reduction in marijuana-related incarcerations.
- \$300,000 in FY2024/2025 and \$240,000 in FY2026/2027 for the Department of Education to support schools and districts in accessing resources on cannabis use and substance use.
- \$17,100,000 in FY2024/2025 for the Department of Employment and Economic Development for cannabis industry navigator and startup grants.
- \$16,230,000 in FY2024/2025 and \$16,230,000 in FY2026/2027 for the Department of Health for education of women who are pregnant, breastfeeding, or who may become pregnant; data collection and reports; and youth education.
- \$8,736,000 in FY2024/2025 and \$12,952,000 in FY2026/2027 for the Department of Human Services to implement the substance use disorder treatment and prevention grant program and process background studies relevant to the work of the Cannabis Expungement Board.
- \$264,000 in FY2024/2025 and \$264,000 in FY2026/2027 for the Department of Labor and Industry to identify occupational competency standards and provide technical assistance for developing dual-training programs.
- \$338,000 in FY2024/2025 for the Department of Natural Resources for training of DNR Conservation Officers relating to the new cannabis regulatory system and requirements, recognition of impairment, and for the enforcement of the purposed environmental standards adopted by the Cannabis Management Office.

- \$1,000,000 in FY2024/2025 and \$1,000,000 in FY2026/2027 for the Office of Higher Education for Dual Training Competency Grants to employers in the legal cannabis industry.
- \$1,103,000 in FY2024/2025 and \$140,000 in FY2026/2027 for the Pollution Control Agency for rulemaking to establish of water, energy, odor, and solid waste environmental standards for cannabis businesses and provide technical assistance for small businesses.
- \$6,837,000 in FY2024/2025 and \$5,324,000 in FY2026/2027 for the Department of Public Safety Bureau of Criminal Apprehension for identifying and sealing records, forensic science services, and investigations.
- \$7,276,000 in FY2024/2025 and \$3,336,000 in FY2026/2027 for the Department of Public Safety Minnesota State Patrol from the Trunk Highway Fund for additional Drug Recognition Expert (DRE) troopers, crash reconstruction specialist troopers, and replacement drug detection canines.
- \$6,791,000 in FY2024/2025 and \$6,291,000 in FY2026/2027 for the Department of Revenue to collect and administer the tax requirements.

Impact on Children and Families:

The current widespread underground market for marijuana provides no controls against the sale and access to children. This proposal provides age restrictions to prevent the sale of cannabis to those under 21.

Additionally, the biannual Healthy Kids Colorado Survey found no increase in the use of marijuana from 2011 to 2015 in the period where legal sales initiated in the state, a finding that has been consistent in Washington, Oregon, Alaska, California, Massachusetts, Maine, and Nevada. The proposal additionally provides funding for MDH to conduct a long-term, coordinated education program to raise public awareness about and address adverse health effects associated with the use of cannabis or cannabis products by persons under age 21.

Equity and Inclusion:

This proposal seeks to begin to address the inequities the current system of marijuana prohibition has created, beginning with the expungement of nonviolent marijuana offenses. A Division of Social Equity at the Office of Cannabis Management will work to further promote the consideration of equity and inclusion in the development and implementation of cannabis regulatory systems. The proposal additionally requires the prioritization of social equity applicants in cannabis license selection along with the cannabis grower and industry training and navigation grant programs.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☒ Yes

☐ No

Minnesota tribal governments, in particular the Red Lake Nation and the White Earth Nation, have raised significant concerns about the current interactions between their medical cannabis programs and current restrictions in statute. This proposal will provide broad authority for the Governor or designated representatives to negotiate compacts with an American Indian tribe regulating cannabis and cannabis products including medical cannabis.

Results:

The proposal requires Department of Health to engage in research and data collection activities to measure the prevalence of cannabis use and the use of cannabis products in the state by persons under age 21 and persons age 21 or older.

Statutory Change(s):

13.411, by adding a subdivision; 13.871, by adding a subdivision; 152.02, subdivisions 2, 4; 152.022, subdivisions 1, 2; 152.023, subdivisions 1, 2; 152.024, subdivision 1; 152.025, subdivisions 1, 2; 181.938, subdivision 2; 181.950, subdivisions 2, 4, 5, 8, 13, by adding a subdivision; 181.951, by adding subdivisions; 181.952, by adding a subdivision; 181.953; 181.954; 181.955; 181.957, subdivision 1; 244.05, subdivision 2; 256.01, subdivision 18c; 256D.024, subdivision 1; 256J.26, subdivision 1; 273.13, subdivision 24; 275.025, subdivision 2; 290.0132, subdivision 29; 290.0134, subdivision 19; 297A.67, subdivisions 2, 7; 297A.99, by adding a subdivision; 297D.01, subdivision 2; 297D.04; 297D.06; 297D.07; 297D.08; 297D.085; 297D.09, subdivision 1a; 297D.10; 297D.11; 609.135, subdivision 1; 609.531, subdivision 1; 609.5311, subdivision 1; 609.5314, subdivision 1; 609.5316, subdivision 2; 609.5317, subdivision 1; 609A.01; 609A.03, subdivisions 5, 9; 624.712, by adding subdivisions; 624.713, subdivision 1; 624.714, subdivision 6; 624.7142, subdivision 1; 624.7151; proposing coding for new law in Minnesota Statutes, chapters 3; 17; 28A; 34A; 116J; 116L; 120B; 144; 152; 289A; 295; 604; 609A; 624; proposing coding for new law as Minnesota Statutes, chapter 342; repealing Minnesota Statutes 2020, sections 152.027, subdivisions 3, 4; 152.21; 152.22, subdivisions 1, 2, 3, 4, 5, 5a, 5b, 6, 7, 8, 9, 10, 11, 12, 13, 14; 152.23; 152.24; 152.25, subdivisions 1, 1a, 1b, 1c, 2, 3, 4; 152.26; 152.261; 152.27, subdivisions 1, 2, 3, 4, 5, 6, 7; 152.28, subdivisions 1, 2, 3; 152.29, subdivisions 1, 2, 3, 3a, 4; 152.30; 152.31; 152.32, subdivisions 1, 2, 3; 152.33, 1.38 subdivisions 1, 1a, 2, 3, 4, 5, 6; 152.34; 152.35; 152.36, subdivisions 1, 1a, 2, 3, 4, 5; 152.37; 297D.01, subdivision 1; Minnesota Rules, parts 4770.0100; 4770.0200; 4770.0300; 4770.0400; 4770.0500; 4770.0600; 4770.0800; 4770.0900; 4770.1000; 4770.1100; 4770.1200; 4770.1300; 4770.1400; 4770.1460; 4770.1500; 4770.1600; 4770.1700; 4770.1800; 4770.1900; 4770.2000; 4770.2100; 4770.2200; 4770.2300; 4770.2400; 4770.2700; 4770.2800; 4770.4000; 4770.4002; 4770.4003; 4770.4004; 4770.4005; 4770.4007; 4770.4008; 4770.4009; 4770.4010; 4770.4012; 4770.4013; 4770.4014; 4770.4015; 4770.4016; 4770.4017; 4770.4018; 4770.4030.

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: Clarifying Federal Fund Authority for Chronic Wasting Disease

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	0	0	0	0

Request:

The Governor recommends clarifying Minnesota Statute 35.156 related to chronic wasting disease by removing subdivision 2 that establishes a separate account in the federal fund and is appropriated to the Commissioner of Agriculture for the purposes for which the federal grant was made according to section 17.03. This recommendation has no fiscal impact.

Rationale/Background:

The Commissioner of Agriculture has existing authority under Minnesota Statute 17.03, subdivision 3b to apply for, receive, and disburse federal funds made available to the state by federal law or regulation for any purpose related to the powers and duties of the commissioner. For this reason, it is not necessary to also grant federal fund authority under M.S. 35.156, subdivision 2.

Proposal:

This proposal to remove 35.156, subdivision 2 does not change Agriculture's existing programs or impact the Department's ability to apply for, receive and disburse federal funds.

Impact on Children and Families:

We do not anticipate this change to have a direct impact on children and families.

Equity and Inclusion:

Not applicable.

Tribal Consultation:

Not applicable.

IT Costs

This is not an IT related proposal.

Results:

Not applicable.

Statutory Change(s):

If the proposal will require statutory changes Minnesota Statute 35.156 by removing subdivision 2.

35.156 CHRONIC WASTING DISEASE.

Subdivision 1.Oversight. The legislative committees and divisions with jurisdiction over agriculture policy and finance and environment and natural resources policy and finance may meet quarterly to receive updates from the commissioners of agriculture, health, and natural resources, the Board of Animal Health, and the University of Minnesota on chronic wasting disease activities undertaken by the reporting agency in the previous quarter.

~~**Subd. 2.Federal fund account.** Money granted to the state by the federal government for purposes of chronic wasting disease must be credited to a separate account in the federal fund and is annually appropriated to the commissioner of agriculture for the purposes for which the federal grant was made according to section 17.03.~~

Agriculture

FY 2024-25 Biennial Budget Change Item

Change Item Title: Rural Finance Authority Bond Fund Appropriation

Fiscal Impact (\$000s)	FY 2024	FY 2025	FY 2026	FY 2027
General Fund				
Debt Service – GO Bonds	1	2	3	3
Revenue	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	1	2	3	3
FTEs	0	0	0	0

Recommendation:

The Governor recommends the authorization of \$40 million in general obligation-user financed bonds and \$40,000 in general obligation bonds for bond sale expenses for Rural Finance Authority (RFA) Loans. Proceeds from the \$40 million authorization's bond sales will be used to support loan programs administered by the RFA.

This proposal would provide funds for approximately 2 years for the five RFA Bond Loan Programs. Currently there is approximately \$19 million in available funds that are projected to be exhausted by October of 2023.

Rationale/Background:

Five programs are funded from the sale of general obligation bonds. They include: the Beginning Farmer Loan Program, the Seller-Sponsored Loan Program, the Agricultural Improvement Program, the Livestock Expansion Loan Program and the Restructure II Loan Program. All five programs are participation programs whereby the RFA joins in partnership with local lending institutions to provide credit based upon certain pre-established rules. Over 450 financial facilities are included in master participation agreements. These programs are an important source of funding for Minnesota's beginning farmers as the Beginning Farmer Loan program consists of approximately 70% of the bond fund loans issued.

Proposal:

This recommendation of \$40 million in general obligation-user financed bonds will provide funding for RFA Bond Loans. Bonds will only be sold (yearly) in the amounts needed to fund expected loan volume. The request also includes \$40,000 in general obligation bonds for bond sale expenses.

The RFA has averaged approximately 92 loans per year over the last five fiscal years and currently services \$99 million worth of loans. Historical loan default rate sits at only .002%.

This is not a request for additional equipment, supplies, administration costs or a change of use from previous years.

This proposal is often complimentary with grants and other loans from the Department of Agriculture, lenders or other state and federal government agencies.

Impact on Children and Families:

It can be difficult to measure the exact effect upon the lives of children outside of this potentially helping their parents provide a healthier environment, cleaner drinking water, healthier food, or even potentially additional income to support their families.

Equity and Inclusion:

This program does not specifically target any group but is open to all that qualify within Minnesota. This program can be the difference between having access to capital in order to continue, expand, or modernize farming operations. This would most appropriately be viewed as a significant net positive for the people obtaining additional capital.

Tribal Consultation:

This program does not specifically target any group but is open to all that qualify within Minnesota.

☐ Yes

☒ No

IT Costs:

This is not an IT related proposal.

Results:

These additional funds will allow MDA to issue a projected 200 additional loans in the next biennium, providing essential support for the five program areas. These programs are an important source of funding for Minnesota's beginning farmers as the Beginning Farmer Loan Program consists of approximately 70% of the bond fund loans issued.

Statutory Change(s):

No statutory changes.

Program: Protection Services

Activity: Pesticide and Fertilizer Management Division

<http://www.mda.state.mn.us/pesticide-fertilizer/pesticide-fertilizer>

AT A GLANCE

- In partnership with all Minnesota counties, collected nearly 660,000 pounds of waste pesticides in 2021, and over 9 million pounds of waste pesticides have been collected since 1990.
- In our 28-year history, over \$50 million from the Agricultural Chemical Response & Reimbursement Account has been spent to reimburse persons for the environmental cleanup of ag chemicals.
- Funded over \$1.1 million annually for fertilizer research, directed by a council of agriculture organizations.
- Over the last decade the Minnesota Department of Agriculture (MDA) has developed one of the most comprehensive pesticide monitoring programs in the nation. Monitoring data is publicly available and is used as feedback in the pesticide regulatory process, to inform policy makers, planners and citizens of the state about the quality of Minnesota's water resources.
- Monitored for pesticides in groundwater (511 samples at 161 locations) and surface water (870 samples at 55 locations) in 2021. Collected 512 private drinking water well pesticide samples from five counties in 2021.
- Registered over 13,000 pesticides.

PURPOSE AND CONTEXT

The Pesticide and Fertilizer Management Division (PFMD) is responsible for almost all aspects of fertilizer and pesticide regulation in Minnesota as well as many other water resources protection efforts.

We support the agency's mission by regulating pesticides and fertilizers to ensure the integrity of our food supply, implementing programs that protect and improve the health of our environment, and managing a regulatory system that instills confidence and consistency in support of a strong agricultural economy.

SERVICES PROVIDED

We have broad responsibilities in the regulation of pesticides and fertilizers as it relates to ensuring water quality and protection of the environment. We provide a wide variety of services, regulatory activities, and voluntary programs that are listed below.

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| <ul style="list-style-type: none"> • Pesticide/Fertilizer Inspections <ul style="list-style-type: none"> ◦ Federal, routine, incident, and compliance assistance • Pesticide/fertilizer training, licensing, and certification • Pesticide/Fertilizer Misuse Investigations • Pesticide/Fertilizer storage facility permitting • Pesticide Registration • Worker Protection Standard education and compliance • Enforcement of pesticide and fertilizer regulations | <ul style="list-style-type: none"> • Emergency response 24/7 • Site cleanups and Superfund administration • Anhydrous ammonia (AA) regulation • Commercial manure application licensing • Pesticide and fertilizer use surveys • Best Management Practices (BMP) • Discovery Farms technical support • Reimbursement for cleanups • Actions to protect pollinators in both urban and rural settings • Pesticide Management Plan implementation |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

- Groundwater Protection Rule and Nitrogen Fertilizer Management Plan implementation
- Groundwater monitoring for pesticides and nitrates
- Surface water monitoring for pesticides and nutrients
- Private well monitoring for pesticides and nitrates
- Free waste pesticide collection for agricultural and urban users
- Soil and manure laboratory certification
- Research funding for fertilizer impact on water quality
- Agriculture Water Quality Certification for farmers and landowners
- Nitrate water quality technical support for municipalities

RESULTS

- **Pesticide Inspections.** Inspections of pesticide facilities are designed to correct violations and assist in compliance. Our electronic/paperless Compliance Information System (CIS) results in more timely, comprehensive and consistent inspections. The number of routine inspections declined as the number of complaint based inspections increased.
- **Waste Pesticide Collections.** The MDA has conducted Waste Pesticide Collections since the early 1990s. Since 2001, the majority of the waste pesticide has been generated in urban settings. Agricultural waste pesticides have decreased due to changes in technology, packaging, and stewardship.
- **Pesticide Applicator Training.** Historically, the Minnesota Department of Agriculture(MDA) partners with various sponsors to offer in person training workshops as part of the Pesticide and Fertilizer Applicators continued education requirements. In the spring of 2020 when the Covid pandemic hit MDA was faced with many challenges as in person trainings were not allowed according to CDC guidelines. We allowed our sponsors to create and offer web-based training platforms, including online virtual and self-paced pre-recorded workshops. In 2021 person workshops were offered again, however it was not feasible to go back to the in person platform 100% of the time.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Pesticide Inspections: Facility, Worker Protection Standard, Restricted Use Pesticide	330	221	FY20 to FY21
Quantity	Misuse Investigations conducted	210	340	FY20 to FY21
Quantity	Pounds of waste pesticides collected	618,348	601,500	FY20 to FY21
Quantity	Pesticide and Fertilizer training workshops offered	91 in person trainings held	17 in person & 54 web-based trainings held	FY20 to FY21

Authority for this activity is found in Minnesota Statutes, Chapters

M.S. 18B (<https://www.revisor.mn.gov/statutes/?id=18B>),
M.S. 18C (<https://www.revisor.mn.gov/statutes/?id=18C>),
M.S. 18D (<https://www.revisor.mn.gov/statutes/?id=18D>),
M.S. 18E (<https://www.revisor.mn.gov/statutes/?id=18E>),
M.S. 103H (<https://www.revisor.mn.gov/statutes/?id=103H>),
M.S. 115E (<https://www.revisor.mn.gov/statutes/?id=115E>)

Pesticide and Fertilizer Management Division

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24 FY25		Governor's Recommendation FY24 FY25	
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Expenditures by Fund

1000 - General	539	652	603	1,151	1,263	1,263	3,467	3,495
2000 - Restrict Misc Special Revenue	47	10	6					
2018 - Agriculture	17,231	16,961	16,637	20,393	21,827	20,793	21,827	21,543
2050 - Environment & Natural Resources	190	37		1,263				
2302 - Clean Water	12,000	14,445	14,805	14,049			16,115	16,115
2403 - Gift				100				
2801 - Remediation	1,690	1,846	2,205	2,431	2,396	2,402	2,396	2,402
3000 - Federal	297	351	443	841	392	350	392	350
Total	31,993	34,302	34,699	40,228	25,878	24,808	44,197	43,905
Biennial Change				8,632		(24,241)		13,175
Biennial % Change				13		(32)		18
Governor's Change from Base								37,416
Governor's % Change from Base								74

Expenditures by Category

Compensation	11,607	11,542	11,875	13,373	11,088	11,041	15,202	15,743
Operating Expenses	15,180	16,396	15,742	20,938	12,707	11,974	18,927	18,384
Grants, Aids and Subsidies	5,177	6,332	7,024	5,823	2,067	1,777	10,052	9,762
Capital Outlay-Real Property	6		25	42				
Other Financial Transaction	22	32	33	52	16	16	16	16
Total	31,993	34,302	34,699	40,228	25,878	24,808	44,197	43,905

Total Agency Expenditures	31,993	34,302	34,699	40,228	25,878	24,808	44,197	43,905
Internal Billing Expenditures	2,997	3,194	2,970	3,813	3,339	3,199	4,196	4,157
Expenditures Less Internal Billing	28,996	31,107	31,729	36,415	22,539	21,609	40,001	39,748

Full-Time Equivalents

112.00	108.29	107.91	112.07	90.75	89.25	125.42	128.72
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Pesticide and Fertilizer Management Division

Activity Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Balance Forward In		72		18				
Direct Appropriation	860	860	621	1,133	1,263	1,263	3,467	3,495
Transfers In			11	23				
Transfers Out	250	280	11	23				
Balance Forward Out	71		18					
Expenditures	539	652	603	1,151	1,263	1,263	3,467	3,495
Biennial Change in Expenditures				564		772		5,208
Biennial % Change in Expenditures				47		44		297
Governor's Change from Base								4,436
Governor's % Change from Base								176
Full-Time Equivalents	4.04	4.08	4.14	4.39	4.14	4.14	5.39	5.39

2000 - Restrict Misc Special Revenue

Balance Forward In	16							
Receipts	30	10	6					
Expenditures	47	10	6					
Biennial Change in Expenditures				(51)		(6)		(6)
Biennial % Change in Expenditures				(89)				
Governor's Change from Base								0
Governor's % Change from Base								
Full-Time Equivalents	0.01		0.05	0.05	0.05	0.05	0.05	0.05

2018 - Agriculture

Balance Forward In	12,666	10,923	10,576	11,021	11,242	9,149	11,242	9,149
Receipts	16,400	17,473	18,532	22,151	21,124	21,320	21,124	22,070
Transfers Out	1,390	1,390	1,450	1,537	1,390	1,390	1,390	1,390
Balance Forward Out	10,444	10,045	11,021	11,242	9,149	8,286	9,149	8,286
Expenditures	17,231	16,961	16,637	20,393	21,827	20,793	21,827	21,543
Biennial Change in Expenditures				2,838		5,590		6,340
Biennial % Change in Expenditures				8		15		17
Governor's Change from Base								750
Governor's % Change from Base								2
Full-Time Equivalents	74.15	71.44	72.27	72.27	81.48	79.98	81.48	84.78

Pesticide and Fertilizer Management Division

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24 FY25		Governor's Recommendation FY24 FY25	
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2050 - Environment & Natural Resources

Balance Forward In	190	37						
Direct Appropriation				1,263	0	0	0	0
Cancellations		0						
Expenditures	190	37		1,263				
Biennial Change in Expenditures				1,036		(1,263)		(1,263)
Biennial % Change in Expenditures				456				
Governor's Change from Base								0
Governor's % Change from Base								
Full-Time Equivalents				1.00				

2302 - Clean Water

Balance Forward In	5,087	7,414	9,475	4,354				
Direct Appropriation	10,935	10,635	9,695	9,695	0	0	19,290	19,290
Transfers Out							3,175	3,175
Cancellations	161		12					
Balance Forward Out	3,861	3,604	4,354					
Expenditures	12,000	14,445	14,805	14,049			16,115	16,115
Biennial Change in Expenditures				2,409		(28,854)		3,376
Biennial % Change in Expenditures				9		(100)		12
Governor's Change from Base								32,230
Governor's % Change from Base								
Full-Time Equivalents	28.81	27.88	26.37	29.28			33.42	33.42

2403 - Gift

Balance Forward In				100				
Receipts			100					
Balance Forward Out			100					
Expenditures				100				
Biennial Change in Expenditures				100		(100)		(100)
Biennial % Change in Expenditures								
Governor's Change from Base								0

Pesticide and Fertilizer Management Division

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24 FY25		Governor's Recommendation FY24 FY25	
Governor's % Change from Base								

2801 - Remediation

Balance Forward In		13		32		3		3
Direct Appropriation	399	399	399	399	399	399	399	399
Open Appropriation	1,304	1,469	1,838	2,000	2,000	2,000	2,000	2,000
Cancellations		35						
Balance Forward Out	13		32		3		3	
Expenditures	1,690	1,846	2,205	2,431	2,396	2,402	2,396	2,402
Biennial Change in Expenditures				1,100		162		162
Biennial % Change in Expenditures				31		4		4
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	2.80	2.43	2.60	2.60	2.60	2.60	2.60	2.60

3000 - Federal

Receipts	297	351	443	841	392	350	392	350
Expenditures	297	351	443	841	392	350	392	350
Biennial Change in Expenditures				636		(542)		(542)
Biennial % Change in Expenditures				98		(42)		(42)
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	2.19	2.46	2.48	2.48	2.48	2.48	2.48	2.48

Program: Protection Services

Activity: Plant Protection Division

<https://www.mda.state.mn.us/plants-insects>

AT A GLANCE

- Monitor over 20,000 traps for spongy moth (formerly gypsy moth) annually to identify satellite populations for treatment and eradication.
- Monitor commodities and specialty crops statewide for more than 50 invasive threats annually.
- Since 2015, nearly 500,000 parasitic wasps released against emerald ash borer throughout Minnesota.
- Facilitate research on invasive species by staffing a containment facility on the U of M campus.
- Review about 200 permits on an annual basis for the movement of soil, plants or other organisms into Minnesota.
- Certify 12 firewood producers as meeting heat treatment standards to produce pest-free wood.
- Register about 900 tree care companies annually to maintain communication on invasive species restrictions on wood movement.
- Certify about 2,000 nursery stock sellers and 200 nursery stock growers annually.
- Inspect about 5,500 acres of seed potatoes and certify as meeting disease requirements annually.
- Issue about 1,500 phytosanitary certificates annually providing worldwide market access.
- License and inspect about 350 grain buyers and 215 grain storage facilities on an annual basis.
- Collect 1500-2000 seed samples annually to establish label accuracy and noxious weed absence.

PURPOSE AND CONTEXT

The Plant Protection Division (PPD) provides inspection and certification services in a variety of plant and plant product industries to:

- facilitate fair and transparent marketplaces
- provide certification for product access to markets, and
- protect those industries, as well as our natural resources, from invasive species

These activities contribute to the mission of the agency by protecting agriculture and the environment from pest threats and by verifying the quality of Minnesota products for sale or export. A wide variety of Minnesota producers and citizens directly interact with PPD including nursery stock growers and sellers, seed producers, seed potato producers, fruit and vegetable wholesalers, hemp producers and processors, grain buyers, livestock producers and land managers.

SERVICES PROVIDED

We work to ensure that plants and plant parts sold, planted, exported, or stored in Minnesota meet purity, viability, and health standards, and that the impacts of plant pests such as noxious weeds and invasive pests are mitigated. These goals are achieved by:

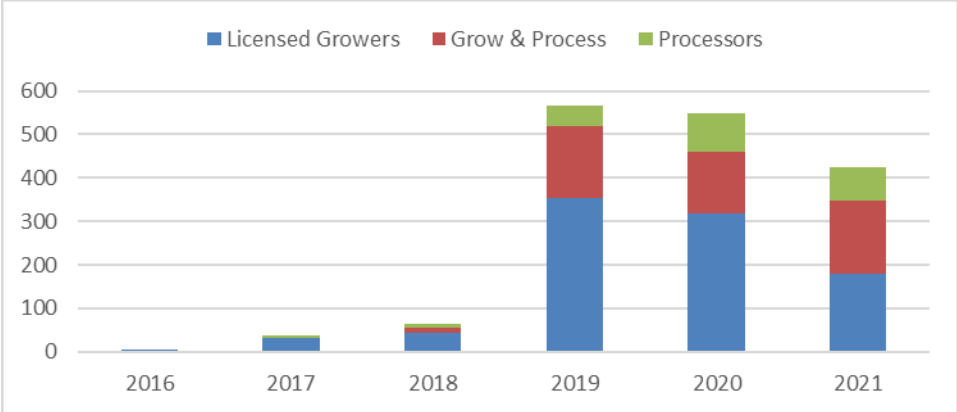
- Inspecting and certifying plants and plant parts (e.g., seeds, grain, fruit, logs). Inspection and certification programs ensure Minnesota's plant commodities meet standards for import and export requirements, germination and purity of seeds, health of plants, and the absence of harmful plant pests.
- Excluding, eradicating, or managing plant pests that threaten Minnesota's agriculture or environment. Our surveys, inspections, quarantines, and treatment programs benefit farmers, and the public by keeping Minnesota as free as possible from harmful plant pests.

Fee-generated dedicated funds support about 50 percent of PPD spending, with another 20 percent supported by federal and state grants and the remaining 30 percent supported by State general funds.

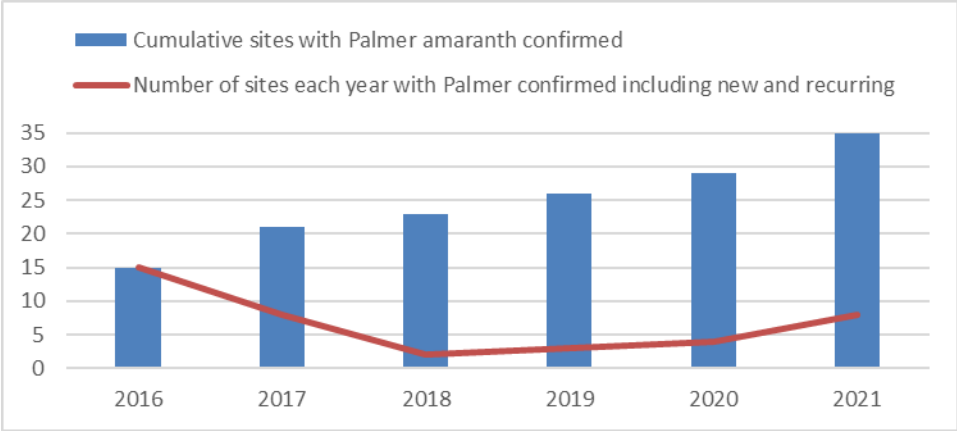
RESULTS

During 2021, PPD:

- Provided grading services for potatoes (> 8 million hundredweight at the Lamb Weston, Park Rapids and >2500 loads at Northern Star, Chaska) and all other fruits and vegetables with nearly 500 inspections to help ensure fair pricing for the grade available.
- Provided auditing for Good Agricultural Practices / Good Handling Practices to 58 entities to facilitate market access for their products.
- Successfully re-established the seed potato winter grow out in Hawaii after Covid-19 had required the program to shift to Florida in 2020. Unfortunately, states operating in Florida during 2021 lost their crop due to poor weather.
- Worked to manage bond claims on behalf of grain producers impacted by the bankruptcy of Pipeline Foods.
- Worked with several nurseries with finds of jumping worms to mitigate the risk of selling infested plants to consumers.
- Delayed the invasion of spongy moth by eradicating an infestation in downtown Minneapolis as well as new introductions in NE and SE Minnesota.
- Identified 4 additional counties with emerald ash borer infestations and worked with local land managers to delimit and begin management of them.
- Licensed over 400 entities to produce and/or process hemp, about 20% fewer than in 2020.



- Awarded 20 noxious weed management grants to local units of government for a total of \$98,000.
- Identified 6 new sites with Palmer amaranth infestation and two sites with recurrence of Palmer and continued management work at all sites to prevent growth and spread.



- Implemented an advertising campaign to bring more awareness to how Palmer amaranth is moved and how farmers can protect themselves.

M.S. Section 3.737 (<https://www.revisor.mn.gov/statutes/?id=3.737>) and 3.7371

(<https://www.revisor.mn.gov/statutes/?id=3.7371>) provides the authority to compensate farmers and landowners for loss caused by wolf or elk.

M.S. Section 17.445 (<https://www.revisor.mn.gov/statutes/?id=17.445>) provides the authority to provide apiary inspection services for interstate commerce

M.S. Chapter 18F (<https://www.revisor.mn.gov/statutes/cite/18F>) provides authority to issue permits for release of genetically engineered organisms

M.S. Chapter 18G (<https://www.revisor.mn.gov/statutes/?id=18G>) provides the authority to exclude and manage invasive and exotic plant pests and to certify commodities for export

M.S. Chapter 18H (<https://www.revisor.mn.gov/statutes/?id=18H>) provides the authority to inspect and certify nursery dealers and growers

M.S. Chapter 18J (<https://www.revisor.mn.gov/statutes/cite/18J>) defines enforcement procedures for violations of Chapters 18G, 18H, 18K, 27, 223, 231, and 232; sections [21.80](#) to [21.92](#); and associated rules.

M.S. Chapter 18K (<https://www.revisor.mn.gov/statutes/cite/18K>) provides authority to implement an industrial hemp pilot program

M.S. Section 18.75-91 (<https://www.revisor.mn.gov/statutes/?id=18.75>) provides the authority to administer a state noxious weed program

M.S. Chapter 21.71-78 (<https://www.revisor.mn.gov/statutes/cite/21.71>) provides the authority to inspect and certify seed potatoes.

M.S. Section 21.80-92 (<https://www.revisor.mn.gov/statutes/?id=21.80>) provides the authority to inspect seeds for distribution and enforce seed label requirements.

M.S. Chapter 27 (<https://www.revisor.mn.gov/statutes/?id=27>) provides the authority to provide a wholesale produce dealer bonding program.

M.S. Chapter 223 (<https://www.revisor.mn.gov/statutes/?id=223>) provides the authority to provide a bond program for grain.

M.S. Chapter 230 (<https://www.revisor.mn.gov/statutes/cite/230>) provides authority to mediate disputes between elevators or other buying or storing sites of agricultural commodities and railroads

M.S. Chapter 231 (<https://www.revisor.mn.gov/statutes/?id=231>) provides the authority to provide a bond program for warehouses

Plant Protection Division

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24 FY25		Governor's Recommendation FY24 FY25	
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Expenditures by Fund

1000 - General	3,180	3,231	3,072	3,582	3,324	3,324	9,583	4,715
2000 - Restrict Misc Special Revenue		30	7	45	40	40	40	40
2018 - Agriculture	4,437	4,662	4,587	4,800	4,951	5,030	4,951	5,030
2050 - Environment & Natural Resources	1,346	769	413	136				
3000 - Federal	1,488	1,316	1,338	1,721	1,855	1,827	1,855	1,827
6000 - Miscellaneous Agency	61	364		2				
Total	10,511	10,371	9,417	10,286	10,170	10,221	16,429	11,612
Biennial Change				(1,180)		688		8,338
Biennial % Change				(6)		3		42
Governor's Change from Base								7,650
Governor's % Change from Base								38

Expenditures by Category

Compensation	5,812	5,852	5,774	6,245	6,386	6,460	7,228	7,434
Operating Expenses	3,676	3,630	3,159	3,755	3,697	3,675	3,714	3,692
Grants, Aids and Subsidies	956	518	475	278	82	81	482	481
Capital Outlay-Real Property		0						
Other Financial Transaction	67	371	10	8	5	5	5,005	5
Total	10,511	10,371	9,417	10,286	10,170	10,221	16,429	11,612

Total Agency Expenditures	10,511	10,371	9,417	10,286	10,170	10,221	16,429	11,612
Internal Billing Expenditures	733	805	765	838	880	887	880	887
Expenditures Less Internal Billing	9,778	9,566	8,652	9,448	9,290	9,334	15,549	10,725

Full-Time Equivalents

71.95	69.07	66.03	69.63	69.93	69.78	72.43	72.28
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Plant Protection Division

Activity Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Balance Forward In		207		258				
Direct Appropriation	3,233	3,233	3,329	3,324	3,324	3,324	9,583	4,715
Transfers In		9	64	91				
Transfers Out		126	64	91				
Cancellations		93						
Balance Forward Out	53		257					
Expenditures	3,180	3,231	3,072	3,582	3,324	3,324	9,583	4,715
Biennial Change in Expenditures				243		(6)		7,644
Biennial % Change in Expenditures				4		(0)		115
Governor's Change from Base								7,650
Governor's % Change from Base								115
Full-Time Equivalents	22.50	21.50	20.81	20.94	20.94	20.94	23.44	23.44

2000 - Restrict Misc Special Revenue

Receipts		30	7	45	40	40	40	40
Expenditures		30	7	45	40	40	40	40
Biennial Change in Expenditures				22		28		28
Biennial % Change in Expenditures						55		55
Governor's Change from Base								0
Governor's % Change from Base								0

2018 - Agriculture

Balance Forward In	4,445	4,478	4,623	4,564	4,579	4,365	4,579	4,365
Receipts	4,916	5,211	4,998	5,286	5,208	5,383	5,208	5,383
Transfers Out	460	474	471	471	471	471	471	471
Balance Forward Out	4,464	4,553	4,563	4,579	4,365	4,247	4,365	4,247
Expenditures	4,437	4,662	4,587	4,800	4,951	5,030	4,951	5,030
Biennial Change in Expenditures				289		594		594
Biennial % Change in Expenditures				3		6		6
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	33.53	33.64	33.13	36.35	35.55	35.55	35.55	35.55

Plant Protection Division

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24 FY25		Governor's Recommendation FY24 FY25	
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2050 - Environment & Natural Resources

Balance Forward In	827	921	550	136				
Direct Appropriation	1,000							
Cancellations	5		1					
Balance Forward Out	476	152	136					
Expenditures	1,346	769	413	136				
Biennial Change in Expenditures				(1,565)		(549)		(549)
Biennial % Change in Expenditures				(74)		(100)		(100)
Governor's Change from Base								0
Governor's % Change from Base								
Full-Time Equivalents	4.44	2.38	0.02	0.02	0.02	0.02	0.02	0.02

3000 - Federal

Receipts	1,488	1,316	1,338	1,721	1,855	1,827	1,855	1,827
Expenditures	1,488	1,316	1,338	1,721	1,855	1,827	1,855	1,827
Biennial Change in Expenditures				255		623		623
Biennial % Change in Expenditures				9		20		20
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	11.48	11.55	12.07	12.32	13.42	13.27	13.42	13.27

6000 - Miscellaneous Agency

Balance Forward In	227	2	2	2				
Receipts	(164)	364	0					
Balance Forward Out	2	2	2					
Expenditures	61	364		2				
Biennial Change in Expenditures				(423)		(2)		(2)
Biennial % Change in Expenditures				(100)				
Governor's Change from Base								0
Governor's % Change from Base								

Program: Protection Services

Activity: Laboratory Services Division

<https://www.mda.state.mn.us/laboratory-services>

AT A GLANCE

For Fiscal Year 2022:

- Performed 5,487 tests for 5,560 analytes (an organism or chemical constituent of a sample) on 2,612 samples for MDA's Dairy and Meat Inspection Division;
- Performed 9,370 tests for 146,378 analytes on 6,523 samples for MDA's Pesticide and Fertilizer Inspection Division;
- Performed 17,766 tests for 53,747 analytes on 2,002 samples for MDA's Plant Protection Division;
- Performed 5,332 tests for 5,333 analytes on 1,275 samples for MDA's Food and Feed Safety Division.
- Performed 7,868 tests for 8,465 analytes on 3,933 samples for the Department of Natural Resources.

PURPOSE AND CONTEXT

The Laboratory Services Division's goal is to furnish scientifically and legally defensible testing that supports the Minnesota Department of Agriculture's (MDA) agency objectives. These activities are critical to the protection of Minnesota's food supply, agricultural industry, and natural environment.

SERVICES PROVIDED

The Laboratory Services Division provides analytical testing primarily for:

- MDA Dairy and Meat Inspection Division
- MDA Food and Feed Safety Division
- MDA Pesticide and Fertilizer Management Division
- MDA Plant Protection Division
- Minnesota Department of Natural Resources

Specific Services:

Foodborne outbreaks:

- Ag chemical spills
- Human and animal exposure
- Product tampering
- Plant disease outbreaks
- Food security events
- Natural disasters

Surveillance testing for:

- Food safety
- Pesticides in water
- Dairy product safety
- Interstate marketing of milk
- Seed health
- Meat safety for small producers
- Plant disease

Other services include:

- Method development
- Technical consultation
- Data interpretation
- Quality assessment

RESULTS

The Department grades laboratory performance on our ability to provide accurate defensible data that meets established program objectives in a timely manner. In order to measure this performance we survey our customers annually to measure their satisfaction level with our services. We discuss problem areas and address them through our formal corrective action procedure. Overall the lab's customers are satisfied with our services.

Performance Measures based on customer survey

Satisfaction with service provided by laboratory

<i>Type of Measure</i>	<i>Dissatisfied</i>	<i>Somewhat Satisfied</i>	<i>Satisfied</i>	<i>Very Satisfied</i>
Previous Score (2020)	0%	0%	21%	79%
Current Score (2021)	0%	5%	15%	80%

Satisfaction with data quality

<i>Type of Measure</i>	<i>Dissatisfied</i>	<i>Somewhat Satisfied</i>	<i>Satisfied</i>	<i>Very Satisfied</i>
Previous Score (2020)	0%	0%	7%	93%
Current Score (2021)	0%	5%	14%	81%

Satisfaction with overall Laboratory performance

<i>Type of Measure</i>	<i>Dissatisfied</i>	<i>Somewhat Satisfied</i>	<i>Satisfied</i>	<i>Very Satisfied</i>
Previous Score (2020)	0%	0%	7%	93%
Current Score (2021)	0%	0%	20%	80%

Authority for this activity is found in M.S. Chapter 17, (<https://www.revisor.mn.gov/statutes/?id=17>) and other statutes authorizing specific protection services activities.

Laboratory Services Division

Activity Expenditure Overview

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
<u>Expenditures by Fund</u>								
1000 - General	4,675	5,410	5,464	6,122	5,811	5,811	6,463	6,502
2000 - Restrict Misc Special Revenue	68	33	30	37	27	27	27	27
2018 - Agriculture	3,450	3,072	2,704	3,061	2,669	2,842	2,669	2,842
2302 - Clean Water			343	357				
3000 - Federal	1,716	1,865	1,790	1,971	1,966	1,935	1,966	1,935
Total	9,909	10,379	10,331	11,548	10,473	10,615	11,125	11,306
Biennial Change				1,591		(791)		552
Biennial % Change				8		(4)		3
Governor's Change from Base								1,343
Governor's % Change from Base								6
<u>Expenditures by Category</u>								
Compensation	4,835	4,664	4,844	5,210	4,849	4,930	5,501	5,621
Operating Expenses	4,986	4,918	4,985	5,475	4,757	4,860	4,757	4,860
Capital Outlay-Real Property		681	490	853	867	825	867	825
Other Financial Transaction	87	117	12	10				
Total	9,909	10,379	10,331	11,548	10,473	10,615	11,125	11,306
Total Agency Expenditures	9,909	10,379	10,331	11,548	10,473	10,615	11,125	11,306
Internal Billing Expenditures	700	718	646	735	631	657	631	657
Expenditures Less Internal Billing	9,208	9,661	9,685	10,813	9,842	9,958	10,494	10,649
<u>Full-Time Equivalents</u>	51.50	47.43	47.75	50.47	46.12	46.12	46.12	46.12

Laboratory Services Division

Activity Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Balance Forward In		533		311				
Direct Appropriation	5,192	5,192	5,776	5,811	5,811	5,811	6,463	6,502
Transfers In	85	20	79	129	80	86	80	86
Transfers Out	85	334	79	129	80	86	80	86
Cancellations		0						
Balance Forward Out	517		312					
Expenditures	4,675	5,410	5,464	6,122	5,811	5,811	6,463	6,502
Biennial Change in Expenditures				1,501		36		1,379
Biennial % Change in Expenditures				15		0		12
Governor's Change from Base								1,343
Governor's % Change from Base								12
Full-Time Equivalents	15.22	13.99	14.15	15.80	16.93	17.04	16.93	17.04

2000 - Restrict Misc Special Revenue

Balance Forward In	31	33	0	10				
Receipts	70	0	40	27	27	27	27	27
Balance Forward Out	33	0	10					
Expenditures	68	33	30	37	27	27	27	27
Biennial Change in Expenditures				(34)		(13)		(13)
Biennial % Change in Expenditures				(34)		(19)		(19)
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	0.46	0.30	0.08	0.22	0.14	0.14	0.14	0.14

2018 - Agriculture

Balance Forward In	1,649	1,317	865	876	668	739	668	739
Receipts	663	285	364	405	429	429	429	429
Transfers In	2,453	2,334	2,351	2,448	2,311	2,311	2,311	2,311
Balance Forward Out	1,315	864	875	668	739	637	739	637
Expenditures	3,450	3,072	2,704	3,061	2,669	2,842	2,669	2,842
Biennial Change in Expenditures				(756)		(254)		(254)
Biennial % Change in Expenditures				(12)		(4)		(4)
Governor's Change from Base								0

Laboratory Services Division

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24 FY25		Governor's Recommendation FY24 FY25	
Governor's % Change from Base								0
Full-Time Equivalents	25.02	22.23	20.98	21.57	18.37	18.28	18.37	18.28

2302 - Clean Water

Balance Forward In				7				
Direct Appropriation			350	350	0	0	0	0
Balance Forward Out			7					
Expenditures			343	357				
Biennial Change in Expenditures				700		(700)		(700)
Biennial % Change in Expenditures						(100)		(100)
Governor's Change from Base								0
Governor's % Change from Base								
Full-Time Equivalents			1.97	2.04				

3000 - Federal

Balance Forward In		0						
Receipts	1,716	1,865	1,790	1,971	1,966	1,935	1,966	1,935
Balance Forward Out		0						
Expenditures	1,716	1,865	1,790	1,971	1,966	1,935	1,966	1,935
Biennial Change in Expenditures				180		140		140
Biennial % Change in Expenditures				5		4		4
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	10.80	10.91	10.57	10.84	10.68	10.66	10.68	10.66

Program: Protection Service

Activity: Food and Feed Safety Division

<http://www.mda.state.mn.us/food-feed/food-feed>

AT A GLANCE

- Conducted and participated in over 60 outreach activities on food safety related issues which included: in-classroom food safety talks, providing starting a food business expertise at small and minority-owned business conferences, presenting at educational conferences, and facilitating meetings with stakeholders and partner agencies.
- Conducted over 13,300 inspections – including 3,100 manufactured food and 10,200 retail food.
- Participated in 65 investigations of contamination events or human illness outbreaks.

PURPOSE AND CONTEXT

The Food and Feed Safety Division (FFSD) supports the Minnesota Department of Agriculture’s mission to ensure the integrity of the food supply through proactive outreach, risk-based inspections, and rapid response. Our protection services regulatory and outreach activities include overseeing the production, manufacturing, distribution, and sale of food products. We focus on ensuring that safe food handling practices are employed from the farm to the processor, distributor, and retailer so that consumers receive safe and wholesome products.

The Division’s work contributes to the agency’s mission to equitably ensure the integrity of the food supply and the strength and resilience of the agricultural economy by:

- Verifying laws governing food safety are followed so products can safely enter commerce and consumers are protected,
- Ensuring food producers have access to interstate and international markets,
- Giving food producers opportunities to expand their business, and
- Providing farmers with access to processing services necessary to market their products within Minnesota, nationally, and internationally.

SERVICES PROVIDED

Outreach: We maintain a strong emphasis on outreach and education in our regulatory approach. When food and feed business operators have a good understanding of food safety principles and knowledge of the regulations, they can more effectively apply good food and feed safety practices. Robust outreach and education activities are key to assisting new operators in navigating the rules as they begin a new business, as well as ensuring that existing operators have up-to-date information of food safety risks that exist in their processes.

Assessments and Inspections: Our staff conduct risk-based food safety inspections as required by federal and state law. Inspections verify that operators who make, distribute, and sell human food have systems in place to ensure their products are safe and are produced in a clean and sanitary environment. Division staff also conduct a variety of other food and feed safety assessments, including label reviews, facility design reviews, product sampling, and facility sampling to ensure a safe food supply. Changes in assessment and inspection emphasis will continue as the Food Safety Modernization Act (FSMA) is implemented and modifies the regulatory requirements for manufacturers of food.

Response and Enforcement: Our staff respond quickly to unsafe products and operations. The Food Emergency Rapid Response Team is part of a federal-state-local partnership that conducts product tracing when an outbreak is detected and following up when food safety systems fail, and a product recall is necessary. Our Compliance staff

conduct specialized reviews and analyze patterns of operators unable to follow the regulations. We take action to address compliance issues when they are more severe and cannot be addressed through voluntary compliance mechanisms, such as outreach or inspections.

RESULTS

The Manufactured Food Regulatory Program Standards (MFRPS) and Voluntary National Retail Food Regulatory Program Standards (VNRFRPS) are a critical component in increasing capacity and capabilities of state regulatory programs to support the national Integrated Food Safety System (IFSS). The goal of the MFRPS and VNRFRPS is to implement a nationally integrated, risk-based, food safety system focused on protecting public health. The ten standards for regulatory programs provide a roadmap for effective program management and are based on a continuous, quality management systems approach to regulatory food safety programs.

The Manufactured Food Program has maintained conformance with 10 out of 10 program standards, as demonstrated through successful program audit by the US Food and Drug Administration.

The Retail Food Program has maintained conformance with 5 and achieved conformance with 3 of the 9 program standards, as demonstrated through successful program audits by independent, qualified regulatory agencies.

Retail Food Inspection: Inspection Rates

The Retail Food Program is responsible for inspecting and licensing all retail food handlers in Minnesota and consists of 24 field inspectors, five plan review staff, five supervisors, and one program manager. There are approximately 5,900 retail food facilities and 1,000 retail mobile food licenses in the state. Retail facilities are classified according to food safety risk based on food handling activities. Retail facilities are inspected at different frequencies based on their specific risk classification.

The Retail Food Program has steadily increased the rate of inspections conducted according to the risk-based schedule as a result of added staff that were hired within the last seven years. The inspections include a review of food handling practices and sanitary conditions necessary to meet the requirements of the Minnesota Food Code. These inspections are essential to protect public health and serve to inform retail food handlers when food handling practices require changes to prevent foodborne illness.

Table 1: Number of Retail Food Inspections Conducted by Fiscal Year

Fiscal Year	2016	2017	2018	2019	2020	2021	2022
Inspection Count	2,365	3,388	5,252	3,931	3,780	5,799	5,086

Manufactured Food Inspection: Inspection Rates

The Manufactured Food Program is responsible for inspecting and licensing all wholesale food processors and distributors in Minnesota and consists of 15 field inspectors, two supervisors, one quality administrator, and one program manager. There are approximately 1,070 food processors and 720 food distributors in the state. Wholesale facilities are classified according to food safety risk based on food handling activities. Wholesale facilities are inspected at different frequencies based on their specific risk classification.

The Manufactured Food Program has significantly increased the rate of inspections conducted according to the risk-based schedule for the past three years. This change has been a result of program level annualized work planning and monitoring improvements. The inspections include a review of food handling practices and sanitary conditions necessary to meet the requirements of the federal Food Safety Modernization Act Preventive Controls and Current Good Manufacturing Practices regulations. These inspections are essential to protect public health and serve to inform retail food handlers when food handling practices require changes to prevent foodborne illness.

Table 2: Percentage of Facilities Inspected by Established Risk Frequency

Inspection Type	6/30/2019	6/30/2020	6/30/2021	6/30/22
Distributor	81.35%	65.28%	76.86%	82.73%
Food Processor	57.83%	61.86%	67.31%	85.81%

M.S. 28A (<https://www.revisor.mn.gov/statutes/cite/28A>) provides the legal authority for Food Handler Licensing
M.S. 31 (<https://www.revisor.mn.gov/statutes/?id=31>) provides the legal authority for Food Inspection Program activities.

M.S. 34A (<https://www.revisor.mn.gov/statutes/cite/34A>) provides the legal authority for Food Inspection Program enforcement activities.

Food and Feed Safety Division

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base		Governor's Recommendation	
					FY24	FY25	FY24	FY25
<u>Expenditures by Fund</u>								
1000 - General	6,692	6,486	6,565	7,340	7,017	7,017	7,675	4,349
2000 - Restrict Misc Special Revenue	896	920	730	554	508	521	508	521
2018 - Agriculture	2,813	2,712	3,107	3,758	4,010	4,126	4,099	8,640
3000 - Federal	2,363	2,531	1,964	2,129	2,300	2,300	2,300	2,300
Total	12,765	12,649	12,366	13,781	13,835	13,964	14,582	15,810
Biennial Change				733		1,652		4,245
Biennial % Change				3		6		16
Governor's Change from Base								2,593
Governor's % Change from Base								9

Expenditures by Category

Compensation	9,872	10,151	10,079	11,076	11,043	11,159	11,756	12,971
Operating Expenses	2,781	2,429	2,266	2,655	2,759	2,792	2,793	2,826
Grants, Aids and Subsidies	112	70	19	50	33	13	33	13
Other Financial Transaction	0		2					
Total	12,765	12,649	12,366	13,781	13,835	13,964	14,582	15,810

Total Agency Expenditures	12,765	12,649	12,366	13,781	13,835	13,964	14,582	15,810
Internal Billing Expenditures	855	972	827	947	987	1,016	987	1,016
Expenditures Less Internal Billing	11,910	11,677	11,539	12,834	12,848	12,948	13,595	14,794

Full-Time Equivalents

	99.82	98.10	93.05	100.19	95.42	94.23	95.42	94.23
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Food and Feed Safety Division

Activity Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Balance Forward In		74		323				
Direct Appropriation	6,760	6,760	6,888	7,017	7,017	7,017	7,675	4,349
Transfers In			128	257				
Transfers Out		348	128	257				
Balance Forward Out	68		323					
Expenditures	6,692	6,486	6,565	7,340	7,017	7,017	7,675	4,349
Biennial Change in Expenditures				726		129		(1,881)
Biennial % Change in Expenditures				6		1		(14)
Governor's Change from Base								(2,010)
Governor's % Change from Base								(14)
Full-Time Equivalents	55.28	53.99	53.06	56.31	54.38	53.15	54.38	23.76

2000 - Restrict Misc Special Revenue

Balance Forward In	1,312	1,502	1,333	1,277	1,187	1,021	1,187	1,021
Receipts	1,087	750	674	464	342	345	342	345
Balance Forward Out	1,502	1,333	1,277	1,187	1,021	845	1,021	845
Expenditures	896	920	730	554	508	521	508	521
Biennial Change in Expenditures				(532)		(255)		(255)
Biennial % Change in Expenditures				(29)		(20)		(20)
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	9.09	8.12	5.50	3.72	3.64	3.67	3.64	3.67

2018 - Agriculture

Balance Forward In	4,554	4,525	5,269	5,527	5,209	4,642	5,209	8,469
Receipts	3,275	3,787	3,696	3,770	3,773	3,773	7,689	7,689
Transfers Out	493	330	330	330	330	330	330	330
Balance Forward Out	4,523	5,269	5,527	5,209	4,642	3,959	8,469	7,188
Expenditures	2,813	2,712	3,107	3,758	4,010	4,126	4,099	8,640
Biennial Change in Expenditures				1,340		1,271		5,874
Biennial % Change in Expenditures				24		19		86
Governor's Change from Base								4,603
Governor's % Change from Base								57

Food and Feed Safety Division

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base		Governor's Recommendation	
					FY24	FY25	FY24	FY25
Full-Time Equivalents	19.73	19.00	21.46	24.34	25.41	25.50	25.41	54.89

3000 - Federal

Receipts	2,363	2,531	1,964	2,129	2,300	2,300	2,300	2,300
Expenditures	2,363	2,531	1,964	2,129	2,300	2,300	2,300	2,300
Biennial Change in Expenditures				(801)		507		507
Biennial % Change in Expenditures				(16)		12		12
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	15.72	16.99	13.03	15.82	11.99	11.91	11.99	11.91

Program: Protection Services**Activity: Dairy and Meat Inspection Division**<https://www.mda.state.mn.us/food-feed/meat-poultry-and-egg-inspection><https://www.mda.state.mn.us/food/dairy-inspection-minnesota>

AT A GLANCE

- Conducted over 17,000 daily inspections of slaughter and processing operations in Minnesota “Equal To” meat and poultry processing plants during FY 21-22
- Increased meat and poultry inspection slaughter plants serviced by over 15% since FY 20
- Led or participated in 45 outreach events both in-person and virtually on food safety and regulations
- Fully implemented online testing for dairy bulk hauler examinations in FY 21
- Collected and analyzed over 3,700 dairy samples and 2,200 meat samples in cooperation with the MDA laboratory
- Issued over 800 certificates in FY 21-22 for dairy products to be exported

PURPOSE AND CONTEXT

The Dairy and Meat Inspection Division (DMID) supports the Minnesota Department of Agriculture’s mission to ensure the integrity of the food supply by conducting regulatory and outreach activities related to the production and manufacturing of dairy, meat, poultry, and eggs. Our activities ensure dairy processors have access to interstate and international markets, give small meat processors opportunities to expand their business, and providing farmers access to slaughter and processing services necessary to market their products within Minnesota.

These activities are also critical to ensuring the health of consumers. Dairy, meat, poultry, and egg products are traditionally high-risk food safety products and as such, have specific inspection and regulatory requirements designed to address these unique risks. Inspection work focuses on ensuring safe food handling practices are employed from the farm to processor and manufacturer so that consumers receive safe food.

SERVICES PROVIDED

Inspections: Our inspectors conduct food safety-based inspections that focus on ensuring farmers and manufacturers of dairy, meat, poultry, and egg products have systems in place to ensure products are safe and are producing food in a clean and sanitary environment. These inspections are also required by federal and state law. Inspections focus on both sanitary requirements and each facility’s food safety-based programs and systems. Certified industry inspection programs are also used to help improve dairy industry business continuity by ensuring required inspections are performed on a timely basis and that food safety practices are assessed in a timely manner.

Outreach: The Division maintains a strong emphasis on outreach and education, prior to and as a part of regulation. When operators have a good understanding of food safety principles and the regulations, they can more effectively use good food safety practices daily, not just for an upcoming inspection. Outreach and education are also key to assisting new operators in navigating the rules as they begin a new business, as well as ensuring that existing operators have strong foundational knowledge in food safety risks that exist in their processes.

Investigations, Compliance, and Enforcement: Investigators and compliance staff work to conduct reviews of product labels and equipment plans, identify operators working outside of the regulations and to follow up when food safety systems fail and a recall of product is necessary or an outbreak is detected. Enforcement actions, such as warning letters, penalties, or license and permit suspensions may be used to promote or address compliance issues when they are more severe and cannot be addressed through inspections or education.

RESULTS

Industry audits are used to assess overall compliance rates and provide an assessment of how well inspected entities are meeting the regulatory requirements designed to ensure the dairy, meat, poultry, and egg products they produce are safe.

Dairy Inspection: Interstate Milk Shipment (IMS) Audits

The State and its dairy industry must participate in the IMS program to be able to ship Grade A dairy products across state lines. IMS audits are used to assess overall compliance of the farms, plants, and dairy program. Because failure of an audit results in a lost market, achieving passing results is critical to maintaining business continuity and market access. Dairy farm, plant, and enforcement food safety audit results are monitored annually with the goal to achieve 100% passing scores. This evaluation measures the quality of inspections being performed, as well as how well entities are complying with the regulatory requirements. As noted on Table 1, the overall trend for this measure is stable to improving.

Table 1. Percent of Passing IMS Audits.

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Percent	98%	98%	96%	97%	94%	95%	100%	98%	97%	98%

Meat and Poultry Inspection: Food Safety Assessment Results

In-depth assessments and audits of the food safety systems at each meat and poultry establishment are performed at least once every 3 years and for new establishments after a 90-day operating period. The assessment provides a deeper look at how well establishments are complying with the regulatory requirements as well as how well inspection staff are working with establishments to move toward compliance. The goal for this measure is to have more than 66% of audits result in passing result, which is one that does not require additional follow-up other than by inspection staff.

The overall trend for this measure is stable but below the target. The program has seen significant growth since 2020 and audit results are typically poorer for new establishments, especially those with language or cultural barriers. Additionally, federal regulatory requirements continue to grow in complexity and small operators cannot always easily implement these requirements. To improve results, the program has been focusing on improving outreach and assistance to new establishments during their first six months under the inspection program.

Table 2. Percent of Passing FSA's

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Percent	32%	64%	63%	67%	64%	45%	43%	57%	53%	47%

M.S. 32D (<https://www.revisor.mn.gov/statutes/cite/32D>) provides the legal authority for Dairy Inspection Program activities.

M.S. 31A (<https://www.revisor.mn.gov/statutes/?id=31A>) provides the legal authority for Meat and Poultry Inspection Activities.

Dairy and Meat Inspection Division

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24 FY25		Governor's Recommendation FY24 FY25	
<u>Expenditures by Fund</u>								
1000 - General	2,568	2,488	2,736	2,899	2,865	2,865	2,940	2,940
2000 - Restrict Misc Special Revenue	114	94	106	110	108	108	108	108
2018 - Agriculture	2,727	2,853	1,942	2,619	2,957	3,058	2,957	3,058
3000 - Federal	2,001	1,927	1,792	1,986	2,200	2,200	2,275	2,275
Total	7,409	7,362	6,575	7,614	8,130	8,231	8,280	8,381
Biennial Change				(582)		2,172		2,472
Biennial % Change				(4)		15		17
Governor's Change from Base								300
Governor's % Change from Base								2
<u>Expenditures by Category</u>								
Compensation	5,653	5,680	5,111	5,774	6,160	6,250	6,286	6,376
Operating Expenses	1,756	1,682	1,465	1,840	1,970	1,981	1,994	2,005
Other Financial Transaction	0							
Total	7,409	7,362	6,575	7,614	8,130	8,231	8,280	8,381
Total Agency Expenditures	7,409	7,362	6,575	7,614	8,130	8,231	8,280	8,381
Internal Billing Expenditures	712	770	567	690	770	788	770	788
Expenditures Less Internal Billing	6,697	6,592	6,008	6,924	7,360	7,443	7,510	7,593
Full-Time Equivalents	54.90	51.47	46.44	54.55	56.50	56.50	57.50	57.50

Dairy and Meat Inspection Division

Activity Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Balance Forward In		41		34				
Direct Appropriation	2,605	2,605	2,770	2,825	2,865	2,865	2,940	2,940
Transfers In	40	45	55	150	93	118	93	118
Transfers Out	40	203	55	110	93	118	93	118
Balance Forward Out	37		34					
Expenditures	2,568	2,488	2,736	2,899	2,865	2,865	2,940	2,940
Biennial Change in Expenditures				580		95		245
Biennial % Change in Expenditures				11		2		4
Governor's Change from Base								150
Governor's % Change from Base								3
Full-Time Equivalents	23.96	20.45	22.19	22.47	22.59	22.18	23.09	22.68

2000 - Restrict Misc Special Revenue

Balance Forward In	14	29	39	39	35	33	35	33
Receipts	9	4	5	6	6	6	6	6
Transfers In	120	100	100	100	100	100	100	100
Balance Forward Out	29	39	39	35	33	31	33	31
Expenditures	114	94	106	110	108	108	108	108
Biennial Change in Expenditures				8		0		0
Biennial % Change in Expenditures				4		0		0
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	0.35	0.32	0.34	0.32	0.32	0.32	0.32	0.32

2018 - Agriculture

Balance Forward In	2,872	2,298	1,627	1,901	2,210	2,010	2,210	2,010
Receipts	2,261	2,320	2,317	2,844	2,877	2,919	2,877	2,919
Transfers In				194				
Transfers Out	110	140	100	110	120	120	120	120
Balance Forward Out	2,297	1,625	1,901	2,210	2,010	1,751	2,010	1,751
Expenditures	2,727	2,853	1,942	2,619	2,957	3,058	2,957	3,058
Biennial Change in Expenditures				(1,019)		1,454		1,454
Biennial % Change in Expenditures				(18)		32		32

Dairy and Meat Inspection Division

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24 FY25		Governor's Recommendation FY24 FY25	
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	17.50	17.99	12.06	19.94	20.59	21.00	20.59	21.00

3000 - Federal

Receipts	2,001	1,927	1,792	1,986	2,200	2,200	2,275	2,275
Expenditures	2,001	1,927	1,792	1,986	2,200	2,200	2,275	2,275
Biennial Change in Expenditures				(150)		622		772
Biennial % Change in Expenditures				(4)		16		20
Governor's Change from Base								150
Governor's % Change from Base								3
Full-Time Equivalents	13.09	12.71	11.85	11.82	13.00	13.00	13.50	13.50

Program: Promotion and Marketing

Activity: Agricultural Marketing and Development

<https://www.mda.state.mn.us/business-dev-loans-grants/economic-analysis-market-research>

<https://www.mda.state.mn.us/about/mnfarmerstress>

<https://www.minnesotagrown.com>

<https://minnesota.agclassroom.org/>

AT A GLANCE

- 200 farmers assisted by dairy profit teams
- 27,000 people use the Minnesota Grown website each month to locate farms and farmers' markets
- 1,290 farms and farmers' markets licensed to use the Minnesota Grown logo
- 5,810 acres listed on the cropland grazing exchange, an online tool that matches livestock farmers with crop farmers with land available for grazing.
- 19 grazing plans written or revised new grazing plans developed in FY20-22 for prescribed grazing on state Wildlife Management Areas and state parks
- 161,138 students reached by MN Agriculture in the Classroom program resources in 2021/2022 school year
- 645 pre-service and in-service teachers received ag literacy training during the 2021/2022 school year
- 224 livestock farms and land listings listed for sale or rent in 2021 using the Farm Link website to assist with the transition of farm ownership
- 109 beginning/emerging farmers using Farm Link to seek land to purchase or rent
- 23 existing farmers seeking transition to non-heir
- One overseas office in Taiwan opened representing Minnesota agriculture interests to East Asian buyers

PURPOSE AND CONTEXT

Agricultural Marketing and Development works to help farmers and other agricultural businesses:

- Be profitable;
- Protect our natural environment and resources; and
- Meet society's needs for food, fiber, and fuel.

We serve:

- Farmers
- Consumers
- Local government
- Environment and natural resource professionals
- K-12 nutrition professionals, teachers, and students
- Commodity councils
- Minnesota agribusinesses including the biofuels industry and agricultural organizations
- Entrepreneurs and food and beverage companies and manufacturers

SERVICES PROVIDED

We provide numerous and diverse services to meet our goals, including:

- Minnesota Grown, an umbrella marketing program that connects consumers and wholesale buyers with producers of specialty crops, livestock, and other agricultural products grown or raised in Minnesota;

- Organic information and financial assistance to growers, processors, and consumers;
- Marketing support, including business development, tradeshow support, and international marketing;
- Women, Infant and Children (WIC) Farmers' Market Nutrition and Senior Farmers' Market Nutrition Programs that distribute vouchers for fresh produce;
- Minnesota Agriculture in the Classroom, an educational resources and professional development provider that embeds agriculture, food, and natural resources education into K-12 classrooms;
- Livestock producer and local government information and assistance on livestock development and permitting, including preparation of conservation grazing plans for use of public land;
- Dairy Profit Team which is one-on-one assistance with farmers to improve dairy farm profitability;
- Renewable bio-energy sector technical analysis and assistance, information, and market analysis;
- Economic analysis and domestic and international agricultural market research;
- Conservation, environmental protection, and resource-management activities to increase farmer adoption of innovative practices and technology;
- Farm transition assistance through information on resources, an online service, FarmLink, that matches transitioning farmers with beginning farmers and through Farmland Access/Succession Teams;
- Agricultural land use assistance including land access for immigrant farmer community and information on agricultural zoning and business development;
- Agricultural commodity research and promotion councils oversight;
- Good Food Access Program administration;
- Farm safety grants for grain bin safety and rollover protection systems for tractors; and
- Trade services through trade missions (including United Kingdom, Finland, Philippines, Panama and Chile in FY2021) and in-market representation;
- Agricultural Growth, Research, and Innovation (AGRI) Program and Agriculture Research, Education, Extension and Technology Transfer Grant (AGREETT) Program administration.

RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous Value</i>	<i>Date</i>	<i>Current Value</i>	<i>Date</i>
Quantity	Monthly visitors to the online Minnesota Grown directory of farms and markets	20,000	2020	27,000	2021
Quantity	Number of Seniors and WIC participants receiving Farmers' Market Nutrition Program vouchers	59,815	2014	43,677	2021
Quantity	Number of students reached by MN Agriculture in the Classroom program resources	143,680	2019/2020 school year	161,138	2021/2022 school year

M. S. 17.03 Subds. 1, 6, 7, and 7a (<https://www.revisor.mn.gov/statutes/?id=17.03>) authorizes the development of agricultural industries, promotion of agricultural products to international markets and promotion of agricultural diversification and nontraditional agriculture.

M.S. 17.101 Subd. 1 (<https://www.revisor.mn.gov/statutes/?id=17.101>) provides authority for promotion and support of production and marketing of products of Minnesota agriculture.

M.S. 17.102 (<https://www.revisor.mn.gov/statutes/?id=17.102>) authorizes the establishment and promotion of the Minnesota Grown label.

M.S. 17.1017 (<https://www.revisor.mn.gov/statutes/cite/17.1017>) and M.S. 17.1018 (<https://www.revisor.mn.gov/statutes/cite/17.1018>) establishes the Good Food Access Program.

M.S. 17.119 (<https://www.revisor.mn.gov/statutes/cite/17.119>) establishes the Tractor Rollover Protection Pilot Grant Program.

M.S. 17.58 (<https://www.revisor.mn.gov/statutes/?id=17.58>) defines the duties of the agency related to oversight of the promotion councils.

M.S. 17.80 (<https://www.revisor.mn.gov/statutes/?id=17.80>), 17.81 (<https://www.revisor.mn.gov/statutes/?id=17.81>), 17.82 (<https://www.revisor.mn.gov/statutes/?id=17.82>), 17.84 (<https://www.revisor.mn.gov/statutes/?id=17.84>) articulate state agricultural land preservation and conservation policy and define duties of the agency.

M.S. 17.844 (<https://www.revisor.mn.gov/statutes/?id=17.844>) authorizes promotion of livestock production.

M. S. 17A (<https://www.revisor.mn.gov/statutes/?id=17A>) provides authority over livestock marketing and dealer licensing.

M. S. 31.94 (<https://www.revisor.mn.gov/statutes/?id=31.94>) authorizes the promotion of organic agriculture.

M. S. 40A (<https://www.revisor.mn.gov/statutes/?id=40A>) establishes the agricultural land preservation program.

Agricultural Marketing and Development

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base		Governor's Recommendation	
					FY24	FY25	FY24	FY25

Expenditures by Fund

1000 - General	3,431	3,997	3,486	4,516	3,829	5,329	5,113	6,744
2000 - Restrict Misc Special Revenue	238	24	104	141	222	229	222	229
2018 - Agriculture	920	818	846	453	459	462	554	557
2403 - Gift		1	50	127				
3000 - Federal	2,279	1,516	3,428	8,264	8,532	8,220	8,532	8,220
3010 - Coronavirus Relief	5	35						
Total	6,874	6,391	7,914	13,501	13,042	14,240	14,421	15,750
Biennial Change				8,151		5,867		8,756
Biennial % Change				61		27		41
Governor's Change from Base								2,889
Governor's % Change from Base								11

Expenditures by Category

Compensation	2,776	2,793	2,798	2,802	2,786	2,891	3,358	3,591
Operating Expenses	1,442	1,475	2,099	2,766	2,302	2,145	2,442	2,285
Grants, Aids and Subsidies	2,653	2,076	3,004	7,933	7,954	9,204	8,621	9,874
Capital Outlay-Real Property	1	0						
Other Financial Transaction	1	46	13					
Total	6,874	6,391	7,914	13,501	13,042	14,240	14,421	15,750

Total Agency Expenditures	6,874	6,391	7,914	13,501	13,042	14,240	14,421	15,750
Internal Billing Expenditures	116	110	128	62	75	70	75	70
Expenditures Less Internal Billing	6,758	6,280	7,786	13,439	12,967	14,170	14,346	15,680

Full-Time Equivalents

	30.91	29.84	28.10	26.39	24.87	24.87	26.12	26.12
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Agricultural Marketing and Development

Activity Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Balance Forward In		401		527				
Direct Appropriation	3,996	3,996	4,200	4,215	4,015	5,515	5,374	7,005
Transfers Out	186	372	186	226	186	186	261	261
Cancellations		28						
Balance Forward Out	379		528					
Expenditures	3,431	3,997	3,486	4,516	3,829	5,329	5,113	6,744
Biennial Change in Expenditures				574		1,156		3,855
Biennial % Change in Expenditures				8		14		48
Governor's Change from Base								2,699
Governor's % Change from Base								29
Full-Time Equivalents	22.21	21.22	19.26	22.69	22.69	22.69	23.94	23.94

2000 - Restrict Misc Special Revenue

Balance Forward In	285	225	223	122	105	70	105	70
Receipts	138	21	40	124	187	223	187	223
Transfers Out			38					
Balance Forward Out	185	223	122	105	70	64	70	64
Expenditures	238	24	104	141	222	229	222	229
Biennial Change in Expenditures				(18)		206		206
Biennial % Change in Expenditures				(7)		84		84
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	0.09	0.25	0.10	0.10	0.10	0.10	0.10	0.10

2018 - Agriculture

Balance Forward In	626	636	718	687	426	350	426	350
Receipts	738	691	629	200	197	201	217	221
Transfers In	186	186	186	186	186	186	261	261
Transfers Out				194				
Balance Forward Out	630	695	686	426	350	275	350	275
Expenditures	920	818	846	453	459	462	554	557
Biennial Change in Expenditures				(439)		(378)		(188)
Biennial % Change in Expenditures				(25)		(29)		(15)

Agricultural Marketing and Development

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24 FY25		Governor's Recommendation FY24 FY25	
Governor's Change from Base								190
Governor's % Change from Base								21
Full-Time Equivalents	7.12	7.18	6.66	0.72	0.71	0.71	0.71	0.71

2403 - Gift

Balance Forward In	15	16	16	26				
Receipts	0	5	60	101				
Transfers Out		4						
Balance Forward Out	16	16	26					
Expenditures		1	50	127				
Biennial Change in Expenditures				177		(177)		(177)
Biennial % Change in Expenditures						(100)		(100)
Governor's Change from Base								0
Governor's % Change from Base								
Full-Time Equivalents				1.00				

3000 - Federal

Balance Forward In	2		1					
Receipts	2,282	1,516	3,427	8,264	8,532	8,220	8,532	8,220
Balance Forward Out	4							
Expenditures	2,279	1,516	3,428	8,264	8,532	8,220	8,532	8,220
Biennial Change in Expenditures				7,897		5,060		5,060
Biennial % Change in Expenditures				208		43		43
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	1.49	1.19	2.08	1.88	1.37	1.37	1.37	1.37

3010 - Coronavirus Relief

Balance Forward In		35						
Direct Appropriation	40							
Balance Forward Out	35							
Expenditures	5	35						
Biennial Change in Expenditures				(40)		0		0

Agricultural Marketing and Development

Activity Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
Biennial % Change in Expenditures				(100)				
Governor's Change from Base								0
Governor's % Change from Base								

Program: Value-added Products

Activity: Agricultural Advancement Programs

<https://www.mda.state.mn.us/grants/agri>

AT A GLANCE

- Annual AGRI \$14.354 million state investment in FY21 matched by \$33 million in private investment
- 90% of grantees between FY 2015 and 2019 indicated that their grant positively impacted the larger community or business ecosystem and 89% indicated that their gross revenue increased because of the grant(s)
- 44 livestock operations assisted through Livestock Investment Grants; of which, 29 awards are helping to transition the farm to the next generation
- 33 value-added processors expanded capacity or increased food safety, including 17 meat processing businesses
- \$1.7 million invested in commodity, specialty crop, and cover crop research
- 144 Minnesota food businesses received financial assistance for e-commerce and digital marketing and participating in wholesale events
- Estimated increased sales of over \$8.4 million by Minnesota food and beverage companies that participated in New Markets cost-share programs
- Over 700 beginning farmers awarded scholarships to assist with Farm Business Management tuition
- University of Minnesota has hired 30 AGREETT agriculture faculty and educator positions

PURPOSE AND CONTEXT

The Agricultural Growth, Research, and Innovation Program (AGRI) provides financial assistance to advance the agricultural and renewable energy industries. This is accomplished through grants and other forms of financial assistance to support rural economic infrastructure activities.

The Agriculture Research, Education, Extension, and Technology Transfer (AGREETT) passed through grants to the University of Minnesota and provides long-term funding primarily for human infrastructure such as research and extension faculty, extension educators, graduate students, and post-doctoral fellowships.

We serve:

- Farmers
- Agribusinesses and entrepreneurs
- Schools, early care, and education organizations
- Biofuels and bio-based chemical industries

SERVICES PROVIDED

Through AGRI, we stimulate agricultural business activities by providing financial assistance to:

- Initiate and expand livestock production as well as support environmental improvements;
- Aid entry of new farmers;
- Add value-added enterprises to diversify farm income sources;
- Initiate, upgrade, and modernize value-added businesses including meat processors;
- Accelerate business entry into new markets;
- Improve compliance of farms, meat processors, and food businesses with food safety standards including increasing the number of farms that are Good Agricultural Practices (GAP) certified;
- Increase farmers' processing and aggregating capacity to enter farm-to-institution and other markets;

- Purchase food processing and storage equipment for schools to increase purchase of locally produced food;
- Provide incentives for production of renewable fuels, chemicals, and thermal energy from agricultural and forestry sources; and
- Advance applied crop research to improve agricultural product quality, quantity, and value.

Financial assistance is provided through several grant and cost sharing programs:

- AGRI Beginning Farmer Farm Business Management Scholarships
- AGRI County Fair Grants
- AGRI Crop Research Grants
- AGRI Farm to School Grants
- AGRI Good Agricultural Practices/Good Handling Practices Cost Share Assistance
- AGRI Good Food Access Program Equipment/Physical Improvements Grants
- AGRI Incentive Program
- AGRI Livestock Investment Grants
- AGRI Meat, Poultry, Egg, and Milk Processing Grants
- AGRI New Market Development
- AGRI Sustainable Agriculture Demonstration Grants
- AGRI Urban Agriculture Grants
- AGRI Value-Added Grants

Through AGREETT, we provide funds to the University of Minnesota for agricultural faculty positions in the College of Food, Agricultural and Natural Resource Sciences, Extension, and the College of Veterinary Medicine. In addition, funds are provided for rapid response for plant and animal diseases and for agricultural education.

RESULTS

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous Value</i>	<i>Date</i>	<i>Current Value</i>	<i>Date</i>
Results	Value Added Grant Program Leverage	\$4.3 M private/ \$1 M state	FY2015	\$9.2 M private/ \$1.3 M state	FY2021
Results	New Markets Programs – Projected Increased Sales (because of participation in an event)	\$2.9 M	FY2015	\$8.4 M	FY2021
Results	Livestock Investment Grant Program Leverage	\$39 M private/ \$1 m state	FY2008	\$24 M private/ \$0.756 M state	FY 2021
Result	Cumulative production of advanced biofuel claimed through the Bioincentive Program	0 million British Thermal Units (MMBtu)	FY2017	2,685,426 MMBtu	FY 2022
Result	Cumulative production of renewable chemical claimed through the Bioincentive Program	986,636 pounds	FY2017	223,443,841 pounds	FY 2022
Result	Cumulative production of biomass thermal energy claimed through the Bioincentive Program	0 MMBtu	FY2017	392,353 MMBtu	FY 2022

M.S. 41A.12 (<https://www.revisor.mn.gov/statutes/?id=41A.12>) provides the legal authority for the AGRI program.

M.S.41A.14 (<https://www.revisor.mn.gov/statutes/?id=41A.14>) provides the legal authority for the AGREETT program.

M.S. 41A.16 (<https://www.revisor.mn.gov/statutes/?id=41A.16>) provides the legal authority for the advanced biofuel production incentive.

M.S. 41A.17 (<https://www.revisor.mn.gov/statutes/?id=41A.17>) provides the legal authority for the renewable chemical production incentive.

M.S. 41A.18 (<https://www.revisor.mn.gov/statutes/?id=41A.18>) provides the legal authority for the biomass thermal production incentive.

M.S. 17.116 (<https://www.revisor.mn.gov/statutes/?id=17.116>) establishes the sustainable agriculture demonstration grants.

M.S. 17.118 (<https://www.revisor.mn.gov/statutes/?id=17.118>) establishes the livestock investment grant program.

M.S. 17.1017 (<https://www.revisor.mn.gov/statutes/cite/17.1017>) establishes the good food access program

Agricultural Advancement Programs

Activity Expenditure Overview

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
<u>Expenditures by Fund</u>								
1000 - General	16,696	15,169	15,384	18,610	17,572	17,572	22,072	22,072
2018 - Agriculture	9,441	9,970	9,382	9,534	9,450	9,450	9,450	9,450
2403 - Gift			95	928				
3010 - Coronavirus Relief	68	5,854						
Total	26,205	30,993	24,860	29,072	27,022	27,022	31,522	31,522
Biennial Change				(3,266)		112		9,112
Biennial % Change				(6)		0		17
Governor's Change from Base								9,000
Governor's % Change from Base								17

Expenditures by Category

Compensation	479	474	564	819	900	905	1,045	1,050
Operating Expenses	343	254	168	253	227	227	255	255
Grants, Aids and Subsidies	25,383	30,261	24,128	28,000	25,895	25,890	30,222	30,217
Other Financial Transaction		4	1					
Total	26,205	30,993	24,860	29,072	27,022	27,022	31,522	31,522

Full-Time Equivalents

6.35	5.67	6.02	9.05	9.05	9.05	10.45	10.45
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Agricultural Advancement Programs

Activity Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Balance Forward In	6	1,044	14	663				
Direct Appropriation	23,653	23,554	25,343	27,257	26,882	26,882	31,382	31,382
Transfers In	3,000		15	1,929				
Transfers Out	9,300	9,320	9,325	11,239	9,310	9,310	9,310	9,310
Cancellations		94						
Balance Forward Out	663	14	664					
Expenditures	16,696	15,169	15,384	18,610	17,572	17,572	22,072	22,072
Biennial Change in Expenditures			2,129		1,150		10,150	
Biennial % Change in Expenditures			7		3		30	
Governor's Change from Base							9,000	
Governor's % Change from Base							26	
Full-Time Equivalents	6.30	5.32	6.00	9.00	9.00	9.00	10.40	10.40

2018 - Agriculture

Balance Forward In	40	849	115	84				
Receipts	150	36	50	150	150	150	150	150
Transfers In	9,300	9,200	9,300	9,300	9,300	9,300	9,300	9,300
Balance Forward Out	49	115	84					
Expenditures	9,441	9,970	9,382	9,534	9,450	9,450	9,450	9,450
Biennial Change in Expenditures				(496)		(16)		(16)
Biennial % Change in Expenditures				(3)		(0)		(0)
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	0.05	0.05	0.02	0.05	0.05	0.05	0.05	0.05

2403 - Gift

Balance Forward In				908				
Receipts			1,003	20				
Balance Forward Out			908					
Expenditures			95	928				
Biennial Change in Expenditures				1,023		(1,023)		(1,023)
Biennial % Change in Expenditures						(100)		(100)
Governor's Change from Base								0

Agricultural Advancement Programs

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24 FY25		Governor's Recommendation FY24 FY25	
Governor's % Change from Base								

3010 - Coronavirus Relief

Balance Forward In		1,167				
Direct Appropriation	200	6,500				
Transfers In		6				
Transfers Out		6				
Cancellations		1,814				
Balance Forward Out	132					
Expenditures	68	5,854				
Biennial Change in Expenditures				(5,922)	0	0
Biennial % Change in Expenditures				(100)		
Governor's Change from Base						0
Governor's % Change from Base						
Full-Time Equivalents		0.30				

Program: Administration and Financial Assistance

Activity: Grants and Assistance

<https://www.mda.state.mn.us/>

AT A GLANCE

- Partnered with and assisted hundreds of organizations and individuals
- Administered a variety of specialized programs
- Assisted and worked with many different sectors of the agricultural industry, including ag youth, farmers and farm customers in need, ag researchers, and others.

PURPOSE AND CONTEXT

The Grants and Assistance activity passes money through the Minnesota Department of Agriculture (MDA) to other organizations and programs that focus on specific ag-related subjects. By providing this assistance, MDA helps strengthen the agricultural economy at its “roots” and in areas that might otherwise get overlooked. These programs reach individual farmers, farm youth and specially-targeted customers of agricultural products. The money also supports key efforts to research and promote agricultural activities specific to Minnesota’s climate.

SERVICES PROVIDED

- This activity provides assistance to county fairs and agricultural associations, the Minnesota Livestock Breeders Association, the Minnesota Poultry Association and the Minnesota Agricultural Education Leadership Council. These organizations maintain generations of expertise, enhance it with the latest research, and pass it on to future generations through their educational programs for youth.
- Through the Farm Advocates program, MDA provides one-on-one assistance to farmers who face crisis due to natural disasters or financial problems. Trained, experienced advocates help farmers determine how to address difficulties through agricultural lending options, mediation, farm programs, crisis counseling, disaster programs, and legal and social services. Related to this work, MDA passes funds through to the farm business management program at colleges in the Minnesota State system to provide farm families with mental health counseling support.
- MDA partners with Second Harvest Heartland to help provide food to Minnesota’s food shelves and other charitable organizations. Money provided through MDA has been used to purchase milk and protein for distribution to these organizations and to compensate producers and processors for harvesting and packaging surplus fruits, vegetables, and other agricultural commodities that would otherwise go unharvested or would be discarded.
- This activity also supports the development of future products for agricultural industries. By partnering with the Minnesota Turf Seed Council, the Minnesota Horticultural Society and the Northern Crops Institute, MDA supports their research, development, and promotion of northern-hardy products and other activities.

RESULTS

Each of our partners reports to MDA on its educational, research, and assistance activities. For county fair assistance, we measure against the formula provided in statute.

<i>Type of Measure</i>	<i>Name of Measure</i>	<i>Previous</i>	<i>Current</i>	<i>Dates</i>
Quantity	Tons of food provided to food shelves and other emergency feeding organizations	3,803	2,583	FY2018; FY2022

Minnesota Statutes Chapter 38, (<https://www.revisor.mn.gov/statutes/?id=38>), Chapter 41D (<https://www.revisor.mn.gov/statutes/?id=41D>) and others.

Grants and Assistance

Activity Expenditure Overview

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
<u>Expenditures by Fund</u>								
1000 - General	3,933	4,089	2,696	14,877	3,809	3,509	4,760	4,458
2301 - Arts & Cultural Heritage	358	366	532	406				
2403 - Gift		20	2					
3010 - Coronavirus Relief	1	6,306						
3015 - ARP-State Fiscal Recovery			5,993	7				
Total	4,291	10,781	9,222	15,290	3,809	3,509	4,760	4,458
Biennial Change				9,439		(17,194)		(15,294)
Biennial % Change				63		(70)		(62)
Governor's Change from Base								1,900
Governor's % Change from Base								26

Expenditures by Category

Compensation	1	1	31	172	79	49	79	49
Operating Expenses		24	243	137	70	50	70	50
Grants, Aids and Subsidies	4,291	10,756	8,947	14,981	3,660	3,410	4,611	4,359
Total	4,291	10,781	9,222	15,290	3,809	3,509	4,760	4,458

Total Agency Expenditures	4,291	10,781	9,222	15,290	3,809	3,509	4,760	4,458
Internal Billing Expenditures			131	60				
Expenditures Less Internal Billing	4,291	10,781	9,091	15,230	3,809	3,509	4,760	4,458

Full-Time Equivalents

	0.01	0.42	0.77	0.35	0.35	0.35	0.35
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Grants and Assistance

Activity Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Balance Forward In		1,316		9,059				
Direct Appropriation	3,933	2,781	12,183	5,580	3,809	3,509	4,760	4,458
Transfers In				238				
Cancellations		8	429					
Balance Forward Out			9,059					
Expenditures	3,933	4,089	2,696	14,877	3,809	3,509	4,760	4,458
Biennial Change in Expenditures				9,551		(10,255)		(8,355)
Biennial % Change in Expenditures				119		(58)		(48)
Governor's Change from Base								1,900
Governor's % Change from Base								26
Full-Time Equivalents			0.40	0.75	0.35	0.35	0.35	0.35

2301 - Arts & Cultural Heritage

Balance Forward In	21	73	143	6				
Direct Appropriation	400	400	400	400	0	0	0	0
Cancellations		10	5					
Balance Forward Out	63	98	6					
Expenditures	358	366	532	406				
Biennial Change in Expenditures				214		(938)		(938)
Biennial % Change in Expenditures				30		(100)		(100)
Governor's Change from Base								0
Governor's % Change from Base								

2403 - Gift

Balance Forward In	2	2						
Receipts	20	0	0					
Balance Forward Out	2	0	0					
Expenditures	20	2	2					
Biennial Change in Expenditures				(18)		(2)		(2)
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								

Grants and Assistance

Activity Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25

3010 - Coronavirus Relief

Balance Forward In		6,299						
Direct Appropriation	6,300	17						
Cancellations		10						
Balance Forward Out	6,299							
Expenditures	1	6,306						
Biennial Change in Expenditures				(6,307)		0		0
Biennial % Change in Expenditures				(100)				
Governor's Change from Base								0
Governor's % Change from Base								
Full-Time Equivalents		0.01						

3015 - ARP-State Fiscal Recovery

Balance Forward In			7					
Direct Appropriation			6,000					
Balance Forward Out			7					
Expenditures			5,993	7				
Biennial Change in Expenditures				6,000		(6,000)		(6,000)
Biennial % Change in Expenditures						(100)		(100)
Governor's Change from Base								0
Governor's % Change from Base								
Full-Time Equivalents			0.02	0.02				

Program: Administration and Financial Assistance

Activity: Agency Services

<https://www.mda.state.mn.us/commissionersoffice>

AT A GLANCE

- Implementation of statewide policies
- Leadership on agricultural issues

PURPOSE AND CONTEXT

This activity makes sure MDA stays responsive to the needs of agriculture in Minnesota and stays focused on advancing our mission. *The Department's mission is to enhance Minnesotans' quality of life by ensuring the integrity of our food supply, the health of our environment, and the strength of our agricultural economy.*

SERVICES PROVIDED

This activity provides leadership and support services to the agency and its employees and performs agency-level services for the public, agricultural industries, and other governmental entities. Agency Services includes:

- The Commissioner's Office
- The Human Resources Division
- The Finance and Budget Division, including staffing for loan programs under the Rural Finance Authority, a separate board of state officials and public members, and Ag Best Management Practices (AgBMP) loans
- Hosting for staff of MN.IT, the state's office of information technology

RESULTS

We maintain communication and coordination with farmers, ag groups, state boards, interagency committees, and national and international associations. Communication and outreach activities are provided in person and through the media, including the agency's web page and social media sites.

www.mda.state.mn.us

twitter.com/mnagriculture

www.youtube.com/mnagriculture

www.facebook.com/mnagriculture

The reach of our social media presence continues to increase and has helped with outreach on many issues, including the recent outbreak of avian influenza in 2015. M.S. Chapter 17 (<https://www.revisor.mn.gov/statutes/?id=17>) outlines the responsibilities of the Commissioner of Agriculture.

Agency Services

Activity Expenditure Overview

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24 FY25		Governor's Recommendation FY24 FY25	
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Expenditures by Fund

1000 - General	4,798	4,715	4,762	6,631	5,923	5,339	9,163	9,131
1251 - COVID-19 Minnesota	1,239	10						
2000 - Restrict Misc Special Revenue	112	140	203	342	342	342	342	342
2001 - Other Misc Special Revenue	6,068	6,308	6,425	7,360	7,412	7,650	7,412	7,650
2018 - Agriculture	333	139	647	1,674	420	422	2,535	1,037
2302 - Clean Water	44	46	57	93				
2403 - Gift				6	6	6	6	6
3000 - Federal		254	1,252	3,203	5,178	3,432	5,178	3,432
3010 - Coronavirus Relief		264						
Total	12,594	11,875	13,346	19,309	19,281	17,191	24,636	21,598
Biennial Change				8,187		3,817		13,579
Biennial % Change				33		12		42
Governor's Change from Base								9,762
Governor's % Change from Base								27

Expenditures by Category

Compensation	6,152	6,235	7,115	8,536	7,866	7,727	9,319	9,635
Operating Expenses	6,433	5,562	6,229	8,951	7,499	7,032	11,076	9,206
Grants, Aids and Subsidies	5			1,797	3,904	2,420	4,229	2,745
Capital Outlay-Real Property		33	0	8				
Other Financial Transaction	4	44	2	17	12	12	12	12
Total	12,594	11,875	13,346	19,309	19,281	17,191	24,636	21,598

Total Agency Expenditures	12,594	11,875	13,346	19,309	19,281	17,191	24,636	21,598
Internal Billing Expenditures	36	45	80	126	126	67	126	67
Expenditures Less Internal Billing	12,558	11,829	13,266	19,183	19,155	17,124	24,510	21,531

Full-Time Equivalents

59.36	58.57	63.91	76.87	69.35	67.13	76.30	75.08
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Agency Services

Activity Financing by Fund

(Dollars in Thousands)

	Actual	Actual	Actual	Estimate	Forecast Base		Governor's Recommendation	
	FY20	FY21	FY22	FY23	FY24	FY25	FY24	FY25
1000 - General								
Balance Forward In		98		457				
Direct Appropriation	4,827	4,827	13,394	7,849	7,348	6,764	14,088	12,556
Transfers In	349	1,611	150	291				
Transfers Out	349	438	8,325	1,966	1,425	1,425	4,925	3,425
Cancellations		1,383						
Balance Forward Out	29		457					
Expenditures	4,798	4,715	4,762	6,631	5,923	5,339	9,163	9,131
Biennial Change in Expenditures				1,880		(131)		6,901
Biennial % Change in Expenditures				20		(1)		61
Governor's Change from Base								7,032
Governor's % Change from Base								62
Full-Time Equivalents	25.83	23.46	23.71	29.73	23.77	23.50	29.72	30.45

1251 - COVID-19 Minnesota

Balance Forward In		10						
Direct Appropriation	4,202							
Balance Forward Out	2,963							
Expenditures	1,239	10						
Biennial Change in Expenditures				(1,249)		0		0
Biennial % Change in Expenditures				(100)				
Governor's Change from Base								0
Governor's % Change from Base								

2000 - Restrict Misc Special Revenue

Balance Forward In	6,202	5,242	6,210	8,220	4,563	1,576	4,563	1,576
Receipts	193	154	193	2,332	10,387	3,622	10,387	3,622
Transfers In	200	776	1,437	1,437	1,425	1,425	6,600	6,600
Transfers Out	200	716						
Net Loan Activity	(1,042)	894	584	(7,084)	(14,457)	(3,574)	(19,632)	(8,749)
Balance Forward Out	5,242	6,210	8,221	4,563	1,576	2,707	1,576	2,707
Expenditures	112	140	203	342	342	342	342	342
Biennial Change in Expenditures				293		139		139
Biennial % Change in Expenditures				117		26		26

Agency Services

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base		Governor's Recommendation	
					FY24	FY25	FY24	FY25
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	0.91	0.99	1.21	2.58	2.58	2.58	2.58	2.58

2001 - Other Misc Special Revenue

Balance Forward In	7,416	7,469	7,697	7,238	7,013	6,380	7,013	6,380
Receipts	6,149	6,616	6,088	7,270	6,914	6,624	6,914	6,624
Internal Billing Receipts	6,149	6,616	6,088	7,270	6,914	6,624	6,914	6,624
Transfers In			2,869					
Transfers Out	66	80	2,990	135	135	135	135	135
Balance Forward Out	7,431	7,697	7,238	7,013	6,380	5,219	6,380	5,219
Expenditures	6,068	6,308	6,425	7,360	7,412	7,650	7,412	7,650
Biennial Change in Expenditures				1,409		1,277		1,277
Biennial % Change in Expenditures				11		9		9
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents	30.97	32.63	33.31	38.19	38.19	38.19	38.19	38.19

2018 - Agriculture

Balance Forward In	1,058	884	861	4,348	2,836	2,568	2,836	2,568
Receipts	132	116	123	152	142	142	757	757
Transfers In			4,010	10	10	10	1,510	10
Balance Forward Out	857	861	4,347	2,836	2,568	2,298	2,568	2,298
Expenditures	333	139	647	1,674	420	422	2,535	1,037
Biennial Change in Expenditures				1,850		(1,479)		1,251
Biennial % Change in Expenditures				392		(64)		54
Governor's Change from Base								2,730
Governor's % Change from Base								324
Full-Time Equivalents	1.30	1.15	5.30	3.27	2.15	2.15	3.15	3.15

2302 - Clean Water

Balance Forward In		31		18				
Direct Appropriation	75	75	75	75	0	0	0	0

Agency Services

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24 FY25		Governor's Recommendation FY24 FY25	
Transfers Out		60						
Balance Forward Out	31		18					
Expenditures	44	46	57	93				
Biennial Change in Expenditures				60		(150)		(150)
Biennial % Change in Expenditures				66		(100)		(100)
Governor's Change from Base								0
Governor's % Change from Base								
Full-Time Equivalents	0.35	0.31	0.38	0.44	0.01	0.01	0.01	0.01

2403 - Gift

Balance Forward In	31	32	36	36	31	26	31	26
Receipts	1	0	0	1	1	1	1	1
Transfers In		4						
Balance Forward Out	32	36	36	31	26	21	26	21
Expenditures				6	6	6	6	6
Biennial Change in Expenditures				6		6		6
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								0

3000 - Federal

Receipts		254	1,252	3,203	5,178	3,432	5,178	3,432
Expenditures		254	1,252	3,203	5,178	3,432	5,178	3,432
Biennial Change in Expenditures				4,201		4,155		4,155
Biennial % Change in Expenditures						93		93
Governor's Change from Base								0
Governor's % Change from Base								0
Full-Time Equivalents		0.03		2.66	2.65	0.70	2.65	0.70

3010 - Coronavirus Relief

Balance Forward In		60				
Direct Appropriation	60	254				
Cancellations		50				

Agency Services

Activity Financing by Fund

(Dollars in Thousands)

	Actual FY20	Actual FY21	Actual FY22	Estimate FY23	Forecast Base FY24 FY25		Governor's Recommendation FY24 FY25	
Balance Forward Out	60							
Expenditures		264						
Biennial Change in Expenditures				(264)		0		0
Biennial % Change in Expenditures								
Governor's Change from Base								0
Governor's % Change from Base								

8200 - Clean Water Revolving

Balance Forward In	8,213	11,039	13,040	17,104	9,660	660	9,660	660
Transfers In	5,500		1,000					
Net Loan Activity	(2,674)	2,001	3,064	(7,444)	(9,000)	(600)	(9,000)	(600)
Balance Forward Out	11,039	13,040	17,104	9,660	660	60	660	60

8250 - Rural Finance Administration

Balance Forward In	4,917	4,185	3,434	4,914	2,554	1,916	2,554	1,916
Receipts	85	24	22	17	83	83	83	83
Transfers In		900	8,810					
Transfers Out		900	6,310					
Net Loan Activity	(1,212)	(775)	(1,042)	(2,377)	(721)	(681)	(721)	(681)
Balance Forward Out	3,790	3,434	4,914	2,554	1,916	1,318	1,916	1,318

Agriculture

Federal Funds Summary

(Dollars in Thousands)

Federal Agency and CFDA #	Federal Award Name and Brief Purpose	FY 2022 Actual	FY 2023 Revised	FY 2024 Revised	FY 2025 Revised	Required State Match or MOE?	FTEs
Environmental Protection Agency CFDA #66.605	Pesticides Performance Partnership – support pesticide programs, groundwater and surface monitoring (PFMD-B041F60)	\$ 328	\$ 350	\$ 350	\$ 350	Match	2.48
Environmental Protection Agency CFDA #66.204	Tribes - provides funding to states, tribes, and territories for high priority activities that complement programs under established environmental statutes. (PFMD-B041F67)	\$ 65	\$ 28	\$ 30	\$ -		-
Department of Agriculture, Natural Resources Conservation Service (NRCS) CFDA #10.932	The Regional Conservation Partnership Program (RCPP) promotes coordination of NRCS conservation activities with partners that offer value-added contributions to expand our collective ability to address on-farm, watershed, and regional natural resource concerns. Through RCPP, NRCS seeks to co-invest with partners to implement projects that demonstrate innovative solutions to conservation challenges and provide measurable improvements and outcomes tied to the resource concerns they seek to address (PFMD-B041F44)	\$ 50	\$ 451	\$ -	\$ -	Match	-
Department of Agriculture, Natural Resources Conservation Service (NRCS) CFDA #10.912	UMN Subaward with Minnesota Department of Agriculture for Innovating through barriers for bioreactors and saturated buffers project. The Minnesota Department of Agriculture will be responsible for all aspects of monitoring, management, and data sharing at the saturated buffer in Wilkin County, MN; participate in data analysis and synthesis; conduct outreach and education on project findings at field days and conferences; and serve as liaison to Minnesota state agencies. (PFMD-B041F18)	\$ -	\$ 12	\$ 12	\$ -	Match	-
	Pesticide and Fertilizer Budget Activity Total	\$ 443	\$ 841	\$ 392	\$ 350		2.48
Dept. of Interior Fish and Wildlife Service CFDA #15.666	Wolf Livestock Demonstration Project Grant-Wolf Depredation and Livestock Compensation (PPD-B042F47)	\$ 110	\$ 115	\$ 130	\$ 131	Match	0.08
Environmental Protection Agency CFDA #66.469	Great Lakes Restoration Initiative- Detect and Control Emerging Invasive Plant Population (PPD-B042F54)	\$ -	\$ 107	\$ 214	\$ 175		1.35

Agriculture

Federal Funds Summary

(Dollars in Thousands)

Federal Agency and CFDA #	Federal Award Name and Brief Purpose	FY 2022 Actual	FY 2023 Revised	FY 2024 Revised	FY 2025 Revised	Required State Match or MOE?	FTEs
Dept. of Agriculture Forest Service CFDA #10.664	Slow the Spread Foundation Gypsy Moth Trapping and Treatment- monitor and control Gypsy Moth, delimit and treat sites (PPD-B042F56)	\$ 489	\$ 600	\$ 600	\$ 600	Match	4.91
Dept. of Agriculture Forest Service CFDA #10.680	Emerald Ash Borer (EAB) Management Initiative- facilitate more discoveries of EAB and promote the need for cities to monitor for EAB (PPD-B042F57)	\$ 64	\$ 100	\$ 100	\$ 100	Match	0.58
Dept. of Agriculture Animal Plant Health Inspection Services CFDA #10.025	Plant & Animal Disease, Pest Control & Animal Care (PPD-B042F62)	\$ 675	\$ 799	\$ 811	\$ 821		6.50
	Plant Protection Budget Activity Total	\$ 1,338	\$ 1,721	\$ 1,855	\$ 1,827		13.42
Dept. of Health & Human Services Food & Drug Administration CFDA # 93.103	Animal Feed Regulatory Program Standards, and Laboratory Flexible Funding Model (LAB-B043F08)	\$ 794	\$ 785	\$ 830	\$ 830		4.00
Dept. of Health & Human Services Food & Drug Administration CFDA # 93.367	Advancing MN Efforts towards a Nationally Integrated Food Safety System by supporting manufactured food regulatory standards, rapid response teams, and food protection task force program. (LAB-B043F09)	\$ 34	\$ 37	\$ 37	\$ 37		0.23
Dept. of Agriculture Food Safety Inspection Services CFDA # 93.876	NARM Cooperative Agreement program to strengthen Antibiotic Resistance Surveillance in Retail Food Specimens (LAB – B043F40)	\$ 179	\$ 200	\$ 200	\$ 200		1.10
Dept. of Agriculture Food Safety Inspection Services CFDA #10.479	Food Emergency Response Network (FERN)- protect animal resources and improve the safety of the nation's food supply (LAB-B043F55)	\$ 222	\$ 265	\$ 265	\$ 265		1.45
Center for Disease Control and Prevention (CDC) - Association of Public Health Labs CFDA # 93.322	Producing articulate training modules tailored to each program that show the effects it has on the sample results when processes and sample acceptance criteria are not followed with help from the Minnesota Department of Agriculture (MDA) Seed Regulatory program, which currently has the highest error rate per sample that the lab performs testing for. (LAB-B043F07)	\$ 10	\$ 10	\$ 10	\$ 10		0.09
Environmental Protection Agency CFDA #66.605	Pesticides Performance Partnership – support pesticide programs, groundwater and surface monitoring (LAB-B043F60)	\$ 314	\$ 372	\$ 348	\$ 310	Match	2.16

Agriculture

Federal Funds Summary

(Dollars in Thousands)

Federal Agency and CFDA #	Federal Award Name and Brief Purpose	FY 2022 Actual	FY 2023 Revised	FY 2024 Revised	FY 2025 Revised	Required State Match or MOE?	FTEs
Dept. of Agriculture Animal Plant Health Inspection Services CFDA #10.025	Plant & Animal Disease, Pest Control & Animal Care (PPD-B043F62)	\$ -	\$ 32	\$ -	\$ -		0.28
Dept. of Agriculture Food Safety Inspection Services CFDA # 10.475	Equal to Meat & Poultry Inspection (LAB-B043F83)	\$ 237	\$ 270	\$ 276	\$ 283	Match	1.66
	Laboratory Services Budget Activity Total	\$ 1,790	\$ 1,971	\$ 1,966	\$ 1,935		10.97
Dept. of Health & Human Services Food & Drug Administration - NEHA CDC CFDA #93.421	Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health System - Funding Strategy 1 (FFSD-B044F06)	\$ 2	\$ -	\$ -	\$ -		0.01
Dept. of Health & Human Services Food & Drug Administration CFDA #93.103	Animal Feed Regulatory Program Standards, Produce Safety, Manufactured Food Regulatory Standards, and Food Protection Rapid Response Capacity Building (FFSD-B044F08)	\$ 1,404	\$ 1,400	\$ 1,400	\$ 1,400		8.98
Dept. of Health & Human Services Food & Drug Administration CFDA #93.367	Advancing MN Efforts towards a Nationally Integrated Food Safety System by supporting manufactured food regulatory standards, rapid response teams, and food protection task force programs (FFSD-B044F09)	\$ 558	\$ 729	\$ 900	\$ 900		4.06
	Food and Feed Inspection Services Budget Activity Total	\$ 1,964	\$ 2,129	\$ 2,300	\$ 2,300		13.05
Dept. of Health & Human Services Food & Drug Administration CFDA #93.103	State Cooperative Program Grants in support of National Grade "A" Milk Safety and National Shellfish Sanitation Programs, funded by the United States Food and Drug Administration - FDA (DMID-B045F08)	\$ 19	\$ 90	\$ 100	\$ 100		0.07
Dept. of Agriculture Food Safety Inspection Services CFDA # 10.475	Equal to Meat & Poultry Inspection (DMID- B045F83)	\$ 1,773	\$ 1,896	\$ 2,100	\$ 2,100	Match	13.00
	Dairy and Meat Inspection Services Budget Activity Total	\$ 1,792	\$ 1,986	\$ 2,200	\$ 2,200		13.07
Dept. of Agriculture Food & Nutrition Service CFDA #10.572	WIC Farmers Market Nutrition Program (AMDD-B046F17)	\$ 383	\$ 800	\$ 800	\$ 800		-

Agriculture

Federal Funds Summary

(Dollars in Thousands)

Federal Agency and CFDA #	Federal Award Name and Brief Purpose	FY 2022 Actual	FY 2023 Revised	FY 2024 Revised	FY 2025 Revised	Required State Match or MOE?	FTEs
Dept. of Agriculture Agricultural Marketing Service CFDA #10.156	Consumer Research for Direct Marketers-explore new market opportunities for U.S. food and agricultural products (AMDD-B046F20)	\$ 108	\$ 131	\$ 112	\$ -	Match	-
Dept. of Agriculture Agricultural Marketing Service CFDA #10.171	National Organic Certification Cost Share Program -provide cost assistance to organic producers and handlers for organic certification (AMDD-B046F21)	\$ 272	\$ 273	\$ 477	\$ 477		0.15
Dept. of Agriculture Agricultural Marketing Service CFDA #10.559	Farm to School funding program. This funding is available due to impacts of the COVID-19 pandemic and changes to Child Nutrition Programs as administered by the USDA Food Nutrition Service and implemented in our state by the Minnesota Department of Education -MDE. (AMDD-B046F29)	\$ 415	\$ 143	\$ 100	\$ 100		0.25
Dept. of Agriculture Food & Nutrition Service CFDA #10.575	USDA Farm to School Grant Program - Assist eligible entities in implementing farm to school programs that improve access to local foods in eligible schools (AMDD- B046F88)	\$ 35	\$ 40	\$ 180	\$ 180	Match	0.08
Dept. of Agriculture Agricultural Marketing Service CFDA #10.170	Specialty Crop Block Grant- Provides annual funding for the Specialty Crop Block Grant program, which is intended to expand the availability of and access to specialty crops, as well as enhance the competitiveness of specialty crops by addressing challenges confronting producers, including socially disadvantaged or beginning farmers. (AMDD-B046F91)	\$ 1,733	\$ 2,594	\$ 2,594	\$ 2,594		1.22
Dept. of Agriculture Food and Nutrition Service CFDA #10.559	Farm to School funding program. This funding is available due changes to Child Nutrition Programs as administered by the USDA Food Nutrition Service and implemented in our state by the Minnesota Department of Education (MDE). (AMDD-B046F25)	\$ -	\$ 3,459	\$ 3,459	\$ 3,459		-
Dept. of Agriculture - National Institute of Food and Agriculture CFDA# 10.525	Bend, Don't Break - Managing Stress in Agriculture federal funding to sustain and expand our farm and rural mental health programming efforts (AMDD-B046F33)	\$ 346	\$ 214	\$ 200	\$ -		0.18
Dept. of Agriculture Food & Nutrition Service CFDA #10.576	Senior Farmers' Market Nutrition Program ARPA (AMDD-B046F94)	\$ -	\$ 410	\$ 410	\$ 410		-

Agriculture

Federal Funds Summary

(Dollars in Thousands)

Federal Agency and CFDA #	Federal Award Name and Brief Purpose	FY 2022 Actual	FY 2023 Revised	FY 2024 Revised	FY 2025 Revised	Required State Match or MOE?	FTEs
Dept. of Agriculture Food & Nutrition Service CFDA #10.576	Senior Farmers' Market Nutrition Program (AMDD-B046F95)	\$ 137	\$ 200	\$ 200	\$ 200		
	Ag Marketing and Development Budget Activity Total	\$ 3,429	\$ 8,264	\$ 8,532	\$ 8,220		1.88
Dept. of Agriculture Agricultural Marketing Service CFDA #10.182	The Cooperative Agreement Local Food Purchase Assistance Cooperative Agreement Program (LFPA) authorized by the American Rescue Plan. The purpose of this program is to maintain and improve food and agricultural supply chain resiliency and will award up to \$400 million through non-competitive cooperative agreements with state and tribal governments to support local, regional, and socially disadvantaged farmers and ranchers through the purchase of domestic local foods. (CO- Emerging Farmer-B049F51)	\$ -	\$ 1,910	\$ 3,978	\$ 2,232		2.60
Federal Emergency Management Agency (FEMA) CFDA # 97.036	Homeland Security and Emergency Management in response to the COVID19 Safe Opening (CO -B049F53)	\$ 108	\$ -	\$ -	\$ -		-
Dept. of Agriculture Animal Plant Health Inspection Services CFDA #10.025	National Animal Disease Preparedness and Response Program (OEPR-B049F62)	\$ 1,145	\$ 1,292	\$ 1,200	\$ 1,200		0.05
	Agency Services Budget Activity Total	\$ 1,253	\$ 3,203	\$ 5,178	\$ 3,432		2.65
	Federal Fund [3000 Fund] Total	\$ 12,009	\$ 20,115	\$ 22,423	\$ 20,264		57.52
Dept. of Agriculture CFDA #10.382	Meat and Poultry Intermediary Lending Program -MPILP (RFA - B49R60)	\$ -	\$ 2,120	\$ 10,120	\$ 3,120		1.00
	Restrict Misc Special Revenue Fund – [2000 Fund] Total	\$ -	\$ 2,120	\$ 10,120	\$ 3,120		1.00
US Department of the Treasury CFDA #21.027	ARP-State Fiscal Recovery - Expanded Meal Access (AMDD - B048C41)	\$ 2,996	\$ 4	\$ -	\$ -		0.01
US Department of the Treasury CFDA #21.027	ARP-State Fiscal Recovery - Hunger Relief (AMDD - B048C42)	\$ 2,997	\$ 3	\$ -	\$ -		0.01
	ARP - State Fiscal Recovery Fund [3015 Fund] Total	\$ 5,993	\$ 7	\$ -	\$ -		0.02
	Federal Funds Agency Total	\$ 18,002	\$ 22,242	\$ 32,543	\$ 23,384		58.54

(Dollars in Thousands)

Narrative

The Minnesota Department of Agriculture (MDA) receives funding from many federal sources including the Departments of Agriculture, Health and Human Services, and Department of the Interior as well as the Environmental Protection Agency. MDA obtains federal funds directly from the federal government as the primary recipient or as a sub-recipient of a larger grant from another state agency or outside organization.

Pesticide and Fertilizer Division:

Federal awards received from the Environmental Protection Agency fund core activities such as pesticide enforcement, applicator certification and training, groundwater monitoring urban initiatives, and endangered species activities. MDA matching funds are provided through special revenue funds from the Pesticide Regulatory account. Since the federal funds support only a small portion of the state's pesticide program, MDA matching funds greatly exceed the amount required under the federal awards.

Plant Protection Division:

Through the U.S. Department of Agriculture's Forest Service and Animal Plant Health Inspection Service federal awards support efforts to protect agriculture crops, commodities and forests from a number of plant pests and pathogens. Federal funds are utilized to implement detection programs for invasive pests such as potato cyst nematode, gypsy moth, Karnal bunt of wheat and many others. Plant pest surveys serve as a basis for making decisions to eradicate, contain, or manage plant pest threats. These surveys also serve as a basis for MDA to certify that pests do not exist in Minnesota which ensures open access to a number of foreign markets for Minnesota commodities. Federal funds also help to support eradication and suppression programs for emerald ash borer and gypsy moth. When matching funds are required they are provided through State General Fund appropriations, state grants from the Environment and Natural Resources Trust Fund, or local government expenditures. Funds from the U.S. Department of Interior's Fish and Wildlife Service help to compensate farmers and ranchers with damage claims from wolf depredation and provide grants for activities to prevent depredation. Required matching funds are provided by State General Fund appropriations. Funds from the Environmental Protection Agency's Great Lakes Restoration Initiative have begun to be utilized to support noxious weed work within the Lake Superior watershed.

Laboratory Services Division:

Through the U.S. Department of Agriculture's (USDA) Food Safety and Inspection Service, federal funding to the MDA Laboratory Services is used to analyze food matrices for microbiological and chemical threat agents and improve laboratory capacities and capabilities for food defense, surveillance and outbreak response. The USDA also provides funding for the testing of meat sold under their "Equal to Meat & Poultry Inspection" program. These federal dollars are matched with the state's General Fund. Funding received from the Food and Drug Administration (FDA) is used to enhance the capacity and capabilities of state human and animal food testing laboratories in support of an integrated food safety system which aids in the effort to prevent

(Dollars in Thousands)

food testing laboratories in support of an integrated food safety system which aids in the effort to prevent foodborne illnesses and minimize foodborne exposures to microbiological agents, chemical agents, toxins, and poisons. The laboratory receives funding from the USEPA to provide regulatory enforcement testing related incident response events and to test ground and surface water for pesticides to determine their environmental fate. Federal funds for the USDA “Equal to Meat & Poultry Inspection” program are expected to increase due to additional costs necessary to support laboratory testing. General fund match dollars have already increased to meet the funding needs. Federal funding from the FDA has increased slightly as they have modified their approach to food safety laboratory funding by combining three formerly separate grants into one and by allowing laboratories to apply for additional funds necessary to meet new grant deliverables. Funding from all other federal sources is expected to remain stable.

Food and Feed Safety Division:

Federally awarded grants received by the MDA’s Food and Feed Safety Division are used to support work completed in accordance with the Animal Feed, Manufactured Food, and Retail program standards. Additional grants are used for work completed by the Rapid Response Team for foodborne illness outbreak response and tracking and within the Produce Safety Program for monitoring and inspections of produce growers under the Food Safety Modernization Act. An increase in funding for the next fiscal year related to work conducted specific to the Retail program standards is anticipated. The purposes of these increased funds are project-specific and are intended to support and not supplant existing state resources. The Produce Safety Program has seen a reduction in overall appropriation from the previous fiscal year which has resulted in fewer available employees to complete the work. Manufactured Food Program funding under the Flexible Funding Model (FFM) is an estimate as funding offers have not yet been released. All estimates are based on the full-time equivalent employees that is required to complete the associated tasks.

Dairy and Meat Inspection Division:

Federal awards received by the MDA’s Dairy and Meat Inspection Division have been reduced since FY 22. The DMID no longer receives federal funding for a drug residue prevention project as it has ended. Federal funding for the meat and poultry inspection program provided from the USDA Food Safety and Inspection Service is used to match State funding for conducting Federally equivalent inspection work. This award has been stable in FY 2022 and 2023. Additional increases may become available if additional State funding is made available to support these inspection activities. The Division also receives Federal funding from the FDA to support Dairy Inspection related training activities and the purchase of equipment needed to conduct inspections. This funding is available on a grant basis, and is a reimbursement of funds spent on eligible and preapproved activities or equipment.

Ag Marketing and Development Division:

The Ag Marketing and Development Division receives significant funding from the United States Department of Agriculture. USDA’s Agricultural Marketing Service (AMS), provides annual funding for the Specialty Crop Block

(Dollars in Thousands)

Grant, which is intended to enhance the competitiveness of specialty crops with a focus on socially disadvantaged and beginning producers. The MDA also receives competitive funding from AMS' Federal-State Marketing Improvement Program to implement specific, one-time programs. Our current grant will help the MDA and partners engage farmers and agriculture businesses over three years in marketing their products more effectively both locally and regionally. USDA's Farm Service Agency provides funding for an Organic Certification Cost-Share Program, which helps defray the costs of organic certification for both producers and handlers. The USDA Food and Nutrition Service (FNS) provides funding for the WIC and Senior Farmers' Market Nutrition Programs (S/FMNP). Funding is used to educate low income, nutritionally-at-risk families about the value of fresh, locally grown produce and to increase direct sales for farmers through farmers' markets. Matching funds for the WIC FMNP are provided by the General Fund; there is no matching requirements for Senior FMNP. We also received a Farm to School grant from FNS to create a Minnesota-branded Harvest of the Month Program over two years so schools can access and procure local food monthly in the cafeteria, classroom, and community. From the National Institute for Food and Agriculture's SARE program, we received funds to train agriculture professionals and rural thought leaders in farm and rural stress issues. The division is also administering two allocations under the American Rescue Plan - State Fiscal Recovery, one for a grant to provide prepared meals and another to purchase food for distribution through food banks and food shelves.

Agency Services Division - Office of Emergency Preparedness and Response:

Federal funds for these two projects will advance the depth of knowledge for state and industry responders. One project reveals how depopulation decisions are made and how factors are weighed to produce a comprehensive tool for depopulation planning. This is done through careful evaluation after a series of focus groups seeks out information from producers across the upper Midwest. This tool will cover multiple species (poultry, swine, and cattle) and will be used to socialize various methods available to both government and industry stakeholders. The project should last two years. The second project explores the best way to disinfect a horizontal grinder used in the disposal of infected animal carcasses. The grinder has been difficult to test, but this project uses a novel "non-infectious" virus to simulate a foreign animal disease and, if successful, will showcase the first field utilization of the surrogate virus and also derive some best practices on the cleaning and disinfection process of carcass disposal equipment. This project should take one year to complete. The MDA has great interest in the development of animal depopulation methods that may be used in the event of a foreign animal disease outbreak. These are both one-time awards so successful results are not a predictor of future federal funding. However, in an agricultural emergency, state and federal emergency response funding to make this method operational may be related to this award

Agency Services Division - Rural Finance Authority (RFA):

The MDA's Rural Finance Authority received a federal grant from the Meat and Poultry Intermediary Lending

(Dollars in Thousands)

Program (MPILP) that provides grant funding to intermediary lenders who finance or plan to finance the startup, expansion, operation of slaughter, or other processing of meat and poultry. The objective of the MPILP is to strengthen the financing capacity for independent meat processors, and to create a more resilient, diverse, and secure U.S. food supply chain. These funds support efforts, but do not supplant existing State funds. There are not any matching funds from the State. Federal funding for the MPILP provided by the USDA were granted in FY2023 in the amount of \$15 million dollars. The Federal funds are to be utilized within 3 years of the grant. Any repayments may be revolved into the same or other State agricultural lending programs. There will be reasonable loan fees associated to support this program.

Agency Services Division - Emerging Farmers Office:

The Emerging Farmers Office (EFO) receives specific, one-time funding through the Local Food Purchase Assistance Program, managed by the United States Department of Agriculture (USDA) Agricultural Marketing Service. Minnesota receives funds from the USDA to provide competitive grants to organizations and individuals. These grantees will buy local food primarily from socially disadvantaged farmers and donate that food to underserved communities throughout the state. These purchases and donations are intended to strengthen the local and regional food systems in the state and build new relationships between buyers and sellers of local food products. These funds support the LFPA grant program specifically on a short-term basis, and do not supplant state resources supporting the Emerging Farmers Office and staff. The grant program runs through the fall of 2024.

Agency Summary:

Current federal appropriation levels as well as guidance provided from our federal agencies were taken into consideration to determine Minnesota Department of Agriculture's federal funding level for the biennial budget years 2024 and 2025. Based on informed communication with our federal agencies, no significant change in future federal funding is foreseen at this time.