



Biofuels Infrastructure Grant

Fiscal Year 2024 Legislative Report

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Executive Summary

The Minnesota Legislature established the Agricultural Growth, Research, and Innovation Program (AGRI) Biofuels Infrastructure Program Grant during the 2021 Session to increase access and sales of motor fuel blends containing at least 15% ethanol. The program invests in equipment certified as compatible with E25 or higher blends such as fuel pumps, fuel storage tanks, and other equipment. To date, the MDA has awarded almost \$9.5 million in funding for 60 projects across the state.

In Fiscal Year (FY) 2024, the MDA awarded \$3.04 million for 16 projects, with grants ranging from \$145,000 to \$199,000.

In fall 2024, the MDA released the FY25 Biofuels Infrastructure Grant Program Request for Proposals (RFP). Approximately \$3.5 million was available, which included funds appropriated by the legislature to the AGRI Program and remaining funds from a Minnesota Corn Growers Association gift. The MDA received 64 proposals requesting over \$11.36 million. Evaluations took place at the end of 2024 and pre-award risk assessments and contracts are being processed at the time of this report.

The MDA expects to release another RFP for Biofuels Infrastructure projects in fall 2025.

Introduction

This report is required by the Minnesota Legislature (Laws of Minnesota 2023, chapter 43, article 1, section 2, subdivision 4.c.3):

The commissioner, in cooperation with any economic or community development financial institution and any other entity with which it contracts, must submit a report on the biofuels infrastructure financial assistance program by January 15 of each year to the chairs and ranking minority members of the legislative committees and divisions with jurisdiction over agricultural policy and finance. The annual report must include but not be limited to a summary of the following metrics:

- (1) The number and types of projects financed;
- (2) The amount of dollars leveraged or matched per project;
- (3) The geographic distribution of financed projects;
- (4) Any market expansion associated with upgraded infrastructure;
- (5) The demographics of the areas served;
- (6) The costs of the program; and
- (7) The number of grants to minority-owned or female-owned businesses.

Background

The Minnesota Legislature established the Agricultural Growth, Research, and Innovation Program (AGRI) Biofuels Infrastructure Program Grant during the 2021 Session. The program invests in equipment certified as compatible with E25 or higher blends in order to increase consumer access to and sales of motor fuel blends that contain at least 15% ethanol. The program makes grants to fueling stations for the replacement or

installation of new fuel pumps, fuel storage tanks, and other equipment needed to dispense higher ethanol blend biofuels. This program supports the biofuel replacement goals established under the Petroleum Replacement Promotion Statute (MINN. STAT. 239.7911).

Grants are awarded competitively based on recommendations made by a panel of Minnesota Department of Agriculture (MDA) and external reviewers who have experience in the biofuels industry. Grant awards cover 65% of qualifying expenses up to a maximum of \$199,000 per project. To be eligible for grant funding, a fueling station must be located in Minnesota and have no more than 10 retail locations.

Program Activities Completed

In fall 2023, the MDA issued a request for proposals (RFP) for \$3.335 million, including \$3.155 million appropriated by the Legislature to the AGRI Program and \$192,000 remaining from \$1 million gift from the Minnesota Corn Growers Association in 2022. The MDA received 54 proposals requesting approximately \$9.87 million. Grant awards totaled \$3.04 million for 16 projects, with grants ranging from \$145,000 to \$199,000. A list of awardees and a map of their locations are available in Appendices A and B. This \$3.04 million investment of state funds leveraged more than \$4.7 million in private investment. See Appendix C for dollars leveraged by individual project. Demographic data for districts served by funded projects are available in Appendix D.

Throughout 2024, the MDA worked with these grantees and grantees from Fiscal Year (FY) 2022 and 2023. Twenty-one of the 60 grantees to-date have completed their projects. Most plan to finish by the end of 2025, and all anticipate being operational by the summer of 2026. In the annual progress report, 79% of grantees that have completed their projects stated that MDA grant funds made their project possible, and they would have been unlikely to complete their project without the grant funding; 86% of grantees who have not completed their project said they would be very unlikely to complete their project without the grant funding. One grantee has sold their business and will not pursue their project.

The 59 total projects funded through this program expand consumer access to higher-blend ethanol fuels. According to the Minnesota Department of Commerce (DOC) Division of Energy Resources, in September 2024 there were 470 retail fuel stations selling mid-blend ethanol fuels (E15 through E50), and the remaining 39 projects yet to be completed through this program will expand market access by another 8% (source: [2024 Minnesota E85 + Mid-Blends Station Report](#)). Minnesota E15 sales reached 10 million gallons in May 2023 for the first time and have continued to climb, averaging 11,825,098 gallons per month in 2024. The jump in E15 sales is notable considering overall gasoline consumption remained stagnant. Overall, year-to-date (January-September 2024) mid-blend ethanol fuel sales have increased 28% compared to 2023 (source: [2024 Minnesota E85 + Mid-Blends Station Report](#)). Data from DOC shows that E15 is priced on average \$0.16 per gallon lower than regular 87 octane gasoline. Although most stations that received funding in 2024 won't be completed with their projects until late in 2025, grantees estimate that the equipment and infrastructure upgrades funded by this program will result in the following sales next year:

- 1,262,000 gallons of E15;
- 16,000 gallons of E30;
- 8,000 gallons of E50;
- 319,000 gallons of E85.

The budget rider allows the MDA to use up to 6.5% of the appropriation for administrative costs. In FY24, the department used the full amount (\$219,375) for administrative needs, including staff to develop program details, administer the request for proposals and award process, and monitor grantees' expenditures and progress. Administrative funds were also used for staff time devoted to the performance audit of the program conducted by the Office of the Legislative Auditor (OLA).

In the fall of 2024, the MDA released the RFP for the third round of Biofuels Infrastructure Grants. Approximately \$3.5 million was available, which included funds appropriated by the legislature to the AGRI Program and remaining funds from the Minnesota Corn Growers Association gift. Projects could be funded through AGRI funds, Minnesota Corn Growers funds, or a combination of both. The MDA received 64 proposals requesting over \$11.36 million. Evaluations took place at the end of 2024 and pre-award risk assessments and contracts are being processed at the time of this report.

The MDA expects to release another RFP for the fourth round of Biofuels Infrastructure projects in fall 2025.

Internal Controls and Grants Management

The MDA's Bioincentive Program and Biofuels Infrastructure Grant Program were selected for review by the OLA during calendar year 2024. The focus of the audit was to determine whether the MDA administered the programs in compliance with good management practices and requirements in state laws. The period examined spanned July 1, 2021, through January 31, 2024.

The MDA was pleased with the audit results and the overall finding that "MDA generally complied with significant finance-related legal requirements for its Bioincentive Program and its Biofuels Infrastructure Grant Program (BIP)." There were two findings related to the Biofuels Infrastructure Grant Program, even though this was a new program, and the review period covered the first round of grants the MDA awarded. The total amount of Biofuels Infrastructure Program payments that OLA recommends the MDA reclaim is less than 1% of payments made during the audit performance period.

In addition to the positive evaluation from the OLA, the MDA prioritizes appropriate grants management policies and procedures through AGRI by consistently exceeding the Office of Grants Management (OGM) requirements for grant administration in several ways:

- The department's current practice is to reconcile every payment request. That means we review source documentation for every payment request by reviewing invoices for all purchases and ensuring that the vendors have been paid. The OGM only requires that agencies review one payment request on a grant of more than \$50,000.
- For payment requests for more than \$25,000, the MDA has two staff members review and sign off on the payment. This is not required by OGM.
- The department makes site visits or perform desk reviews on every grant over \$25,000 even though OGM only requires site visits on grants over \$50,000.

Grantee Spotlight

Kenny's Tire and Auto in Bemidji is a small, family-owned service station located in downtown Bemidji by Lake Bemidji. The station still offers full service fueling. Kenny's has been in business for over 70 years, with the fourth generation now working at the store. As their fueling equipment was reaching the end of its lifespan, business owner Alan Merschman contemplated removing their fueling options due to the cost of the equipment upgrade. However, when the opportunity arose, they applied for and received a Biofuel Infrastructure Program Grant of \$199,000 and completed their project in September 2024. They are now able to offer E15 at each of their four dispensers.



Photo 1 and Photo 2. Kenny's Tire and Auto Service, located in Bemidji, now offers access to biofuels at any of their station's four fueling dispensers.

The Corner Store, located in Inver Grove Heights, was another recipient of a FY24 Biofuel Infrastructure Program Grant. They were awarded \$199,000 and completed their project in November 2024. They have been working with Growth Energy and the Minnesota Biofuels Association to offer marketing materials to customers to boost knowledge and sales of higher ethanol-blend fuels. For the first three weeks after their project completion, an owner or key employee staffed the pumps to greet fueling customers and explain the new fuels.



Photo 3. Photo taken during the construction of the new fueling equipment at The Corner Store, located in Inver Grove Heights.



Photo 4. Employee of The Corner Store, wearing their new employee shirts promoting E15 (unleaded 88).

Appendix A: FY24 Biofuels Infrastructure Grant Recipients

Legislative District	County	Business Name	City
09A	Grant	AJ's Gas and Grocery Inc.	Herman
43B	Hennepin	Robbinsdale BP	Robbinsdale
03A	Cook	Clearview General Store	Lutsen
04B	Clay	Sabin C Store	Sabin
02B	Cass	The One Stop	Longville
12A	Stevens	Jerry's U-Save	Morris
01A	Pennington	Station 59 Upgrade	Thief River Falls
01A	Marshall	Argyle-Clark	Argyle
01A	Kittson	Hallock-Cenex	Hallock
02A	Beltrami	Kenny's Tire and Auto	Bemidji
07A	Itasca	Fred's Store	Goodland
15A	Lac qui Parle	LQP Coop	Madison
12A	Stevens	North Station	Morris
43B	Hennepin	Pump n Munch	Robbinsdale
53A	Dakota	The Corner Store	Inver Grove Heights
54B	Scott	Shell	Jordan

Appendix C: Funds Leveraged by Project (FY24 Grant Recipients)

Business	Location	Grant Award	Estimated Match
AJ's Gas & Grocery Inc	Herman	\$199,000	\$741,986
Clark One Inc	Robbinsdale	\$199,000	\$110,368
Clearview Retail Partners, LLP	Lutsen	\$199,000	\$599,573
Dean's Bulk Service, Inc.	Sabin	\$199,000	\$120,308
Jerrys One Stop Inc	Longville	\$171,238	\$92,207
Jerry's U-Save, Inc.	Morris	\$199,000	\$387,901
JKC Corp	Thief River Falls	\$179,431	\$96,618
Johnson Oil Co. of Hallock, Inc.	Hallock	\$194,981	\$104,990
Johnson Oil Co. of Hallock, Inc.	Argyle	\$145,686	\$78,447
K & A Merschman Inc dba Kenny's Tire and Auto Repair	Bemidji	\$199,000	\$474,409
KKWC, Inc	Goodland	\$159,084	\$85,663
Lac Qui Parle Coop Oil Company	Madison	\$199,000	\$268,698
Morris Coop Assn	Morris	\$199,000	\$357,991
Pump n Munch	Robbinsdale	\$199,000	\$272,270
R&R Smith Inc. DBA The Corner Store	Inver Grove Heights	\$199,000	\$393,500
SSM Marketing LLC	Jordan	\$199,000	\$526,000
Total	--	\$3,039,420	\$4,710,929

Appendix D: Demographic Data for Districts Served by Funded Projects

District	Total Population	(%) Black or African American	(%) American Indian and Alaska Native	(%) Asian	(%) Native Hawaiian and Other Pacific Islander	(%) Some Other Race	Median Household Income in Dollars	(%) All people whose income fell below the poverty level in the last 12 months
09A	42,790	1.2%	0.8%	0.8%	0.0%	2.1%	\$67,379.00	10%
43B	42,189	12.5%	0.2%	2.8%	0.1%	1.4%	\$93,546.00	9%
03A	42,250	0.5%	3.2%	0.5%	0.0%	0.8%	\$68,498.00	11%
04B	42,518	0.8%	1.5%	0.8%	0.1%	0.5%	\$84,046.00	8%
02B	41,453	0.3%	19.3%	0.6%	0.1%	0.6%	\$64,219.00	16%
12A	42,198	0.8%	0.6%	0.7%	0.4%	2.5%	\$69,467.00	10%
01A	42,302	0.9%	0.7%	1.5%	0.0%	1.0%	\$72,548.00	10%
01A	42,302	0.9%	0.7%	1.5%	0.0%	1.0%	\$72,548.00	10%
01A	42,302	0.9%	0.7%	1.5%	0.0%	1.0%	\$72,548.00	10%
02A	43,648	1.5%	18.3%	0.6%	0.1%	0.7%	\$66,716.00	15%
07A	42,681	1.2%	0.9%	0.3%	0.0%	0.7%	\$61,466.00	13%
15A	42,507	1.8%	1.2%	3.0%	0.0%	3.7%	\$71,660.00	11%
12A	42,198	0.8%	0.6%	0.7%	0.4%	2.5%	\$69,467.00	10%
43B	42,189	12.5%	0.2%	2.8%	0.1%	1.4%	\$93,546.00	9%
53A	42,390	4.8%	0.2%	3.7%	0.0%	7.8%	\$92,021.00	6%
54B	43,598	2.2%	1.2%	4.1%	0.0%	1.9%	\$128,306.00	3%

Source: American Community Survey Profile Report, 2019-2023 (5-year estimates)