

# HOUSE RESEARCH

## Bill Summary

**FILE NUMBER:** H.F. 1437  
**Version:** Second engrossment

**DATE:** April 28, 2015

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**Subject:** Omnibus agriculture finance bill

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### Overview

This bill funds the Minnesota Department of Agriculture (MDA), the Board of Animal Health (BAH), the Agricultural Utilization Research Institute (AURI), and the University of Minnesota. Related statutory language is provided in article 2.

#### Article 1: Agriculture Appropriations

### Overview

This article funds the MDA, the BAH, the AURI, and the University of Minnesota for the 2016-2017 biennium.

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- 1 **Agriculture appropriations.** Provides boilerplate omnibus appropriation language. All appropriations are from the general fund unless specified otherwise.
- 2 **Department of Agriculture.** Appropriates funds for MDA's activities, as grouped into four categories.

**Subd. 1. Total appropriation.** Summarizes total MDA appropriations and the breakdown of that total by fund.

**Subd. 2. Protection services.** Appropriates general fund, agricultural fund, and remediation fund dollars for MDA's regulatory activities. This category includes the following MDA divisions: Pesticide and Fertilizer Management, Dairy and Food

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Inspection, Plant Protection, and Laboratory Services. The amounts specifically appropriated for certain activities are provided, along with varying levels of instruction and agency discretion.

**Subd. 3. Agricultural marketing and development.** Appropriates general fund dollars for MDA’s Agricultural Marketing and Development Division. The amounts specifically appropriated for certain activities are provided, along with varying levels of instruction and agency discretion.

**Subd. 4. Agriculture, bioenergy, and bioproduct advancement.** Appropriates general fund dollars for multiple purposes including the Agricultural Growth, Research, and Innovation program. Requires annual reporting including specified accomplishment areas. Specifies requirements for any bioenergy grants awarded by MDA pursuant to this appropriation.

**Subd. 5. Administration and financial assistance.** Appropriates general fund dollars for MDA’s administration and financial assistance activities. Requires MDA to award pass-through grants to several named entities.

- 3 **Board of Animal Health.** Appropriates general fund dollars to BAH.
- 4 **Agricultural Utilization Research Institute.** Appropriates general fund dollars to AURI.
- 5 **Avian influenza emergency response.** Appropriates general fund dollars in the current fiscal year – fiscal year 2015 – to MDA and BAH for emergency response activities that are not eligible for federal reimbursement.
- 6 **Avian influenza; federal funds appropriation and reporting.** Appropriates federal funds received to MDA and BAH. Requires two reports.

## Article 2: Agriculture Policy

### Overview

This article includes statutory provisions.

- 1 **Department of Agriculture data.** Removes a reference to the Shared Savings Loan Program statute that is repealed at the end of this article.
- 2 **Structural pest.** Modifies the existing statutory definition of “structural pest” in chapter 18B “Pesticide Control” to apply only to invertebrate pests and commensal rodents (i.e., rodents that eat human food).
- 3 **Structural pest control.** Modifies the existing statutory definition of “structural pest control” for licensing purposes to mean the control of structural pests through the use of pesticides or other means.
- 4 **Establishment.** Authorizes MDA to use up to \$20,000 each fiscal year from the Pesticide Regulatory Account to test nursery plants for systemic pesticide under the “pollinator friendly” plant labeling law.

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- 5 Requirement.** Provides that a structural pest control licensee must have a valid license identification card to purchase a restricted use pesticide. A restricted use pesticide is a pesticide that the United States Environmental Protection Agency has identified as particularly dangerous to human health and/or the environment if used improperly. Eliminates an existing structural pest control license exemption for persons who trap mammal pests.
- 6 Requirement.** Provides that a commercial (pesticide) applicator licensee must have a valid license identification card to purchase a restricted use pesticide.
- 7 Requirement.** Provides that a person may not purchase a restricted use pesticide to perform their official/job duties without possessing a noncommercial (pesticide) applicator license.
- 8 Payment of inspection fee.** Increases the fertilizer, soil amendment, and plant amendment inspection fee from 30 to 39 cents per ton. Requires MDA to deposit all revenue from the existing 40 cent/ton fertilizer surcharge in a new Agricultural Fertilizer Research and Education Account established below.
- 9 Powers and duties.** Eliminates outdated language pertaining to MDA's support of the Agricultural Fertilizer Research and Education Council.
- 10 Agricultural Fertilizer Research and Education Account.** Establishes this new account in the state treasury. Statutorily appropriates account money to MDA for fertilizer research and education grants determined by the Agricultural Fertilizer Research and Education Council. Authorizes MDA to use up to \$80,000 from the account for direct costs incurred to support the council and an unspecified amount for related indirect costs.
- 11 Cooperative agreements.** Eliminates the requirement that plant and plant product exporters submit a phytosanitary or export certificate application to MDA. This language is added to a different section of statute in the following section.
- 12 Phytosanitary and export certificates.** Inserts the language deleted in the prior section of this bill. Eliminates language requiring MDA to conduct inspections of plants, plant products, or facilities when a person applies for or intends to apply for a certificate. MDA would now have the option to inspect. Eliminates mandatory inspection elements.
- 13 Certificate fees.** Authorizes MDA to charge a person who requests a phytosanitary or export certification a fee that fully recovers MDA's certification costs. The fee is currently based on mileage and inspection time. The fee would be a minimum of \$75 dollars and a maximum of \$300 for certificate processing, plus mileage and inspection time.
- 14 Nursery stock.** Modifies the definition of "nursery stock" in chapter 18H "Nursery Law" to exclude sod, as defined in the following section. This exempts sod from nursery certificate requirements and fees.
- 15 Sod.** Defines "sod" for purposes of the regulatory exclusion provided in the previous section.
- 16 Tropical plant.** Defines "tropical plant" for purposes of the Nursery Law and MDA's regulatory activities.

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- 17 Occasional sales.** Modifies the occasional (nursery stock) sales exemption to apply to nursery stock certificates, rather than nursery stock dealer certificates.
- 18 Fee schedule.** Assesses the nursery stock grower annual certificate fee on all nursery stock, rather than only nursery stock that is grown for certification. Prohibits a nursery stock grower or nursery stock dealer that is operating without a valid MDA permit from offering for sale or selling nursery stock until the grower pays the proper certificate fee and penalty and obtains a valid certificate. Lifts the \$50/hour cap on the MDA fee for reinspections or additional or optional inspections and allows MDA to charge a rate sufficient to fully recover inspection costs.
- 19 Nursery and phytosanitary account.** Caps at \$20,000 per fiscal year MDA's use of the account to test nursery plants for systemic insecticide under the "pollinator friendly" plant labeling law.
- 20 Permits; issuance and revocation.** Requires initial labelers who sell native grasses and wildflower seeds in commercial or agricultural quantities to obtain the same permit and pay the same permit fee as initial labelers who sell vegetable, flower, and wildflower seed packed for use in home gardens or household plantings.
- 21 Seed fee permits.** Increases seed permit fees and adds a new gross sales fee category for annual sales of more than \$1 million. The fee for this new category would be \$4,500. Increases seed permit application fees. Establishes a separate rate for soybean seed.
- 22 Brand name registration fee.** Increases the seed brand name registration fee.
- 23 Application; fee; term.** Increases the commercial feed license application fee and the corresponding late fee.
- 24 Amount of fee.** Increases the annual listing fees for pet food and specialty pet food products distributed in packages of ten pounds or less. Increases the minimum commercial feed inspection fee.
- 25 Containers of ten pounds or less.** Increases the late fee for pet food and specialty pet food products distributed in packages of ten pounds or less
- 26 HACCP plan.** Defines "Hazard analysis critical control point" (HACCP) plan for purposes of chapter 28A "Licensing Food Handlers."
- 27 Cottage foods exemption.** Expands existing "pickle bill" and "hot dish" food-handler license exemptions by authorizing license-exempt individuals to sell their food directly to individual consumers beyond community events and farmers' markets. An individual with annual gross sales above \$5,000 would be required to pay a \$50 registration fee to MDA each year and attend a safe food handler training course every three years. The annual sales limit would be increased to \$18,000.
- 28 Term of license; transferability; fees and penalties.** Extends the length of renewal milk and cream buyer/tester/bulk hauler licenses to two years. Increases the fee for initial and renewal licenses. Increases the late penalty. Deposits license fees and penalties in the Agricultural Fund instead of the General Fund.
- 29 Milk procurement fee.** Increases the milk procurement fee paid by dairy plant operators.

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- 30**     **Agriculture Research, Education, Extension, and Technology Transfer Advisory Board.** Establishes a board to recommend grants that most efficiently achieve long-term agricultural productivity increases through improved infrastructure, vision, and accountability. The board would advise MDA and would be comprised of agricultural, environmental, and forest-product interests, the University of Minnesota, and the Minnesota State Colleges and Universities system. Establishes eligible grant categories. Creates a new fund in the state treasury.
- 31**     **Definitions.** Defines key terms for purposes of the following four sections. Defined terms include “advanced biofuels,” “cover crops,” “MMbtu,” “perennial crops,” and “renewable chemical.” “Advanced biofuel” is defined as a renewable fuel, other than ethanol derived from corn starch, that has lifecycle greenhouse gas emissions that are at least 50 percent less than baseline lifecycle greenhouse gas emissions, as determined by the federal Environmental Protection Agency (Minn. Stat. § 239.051 and (federal) Public Law 110-140).
- 32**     **Advanced biofuel production incentive.** Requires MDA to issue quarterly grants to eligible producers of advanced biofuel based on the number of MMbtu produced during the period. In general, an eligible facility must produce at least 95,000 MMbtu/year of advanced biofuel that is derived primarily from Minnesota-sourced agricultural or forestry biomass or solid waste. Establishes production standards for the agricultural or forestry biomass used to produce grant-eligible advanced biofuels. Requires a biomass sourcing plan. A qualifying facility would be eligible for up to ten years of grants. An eligible facility must begin or expand production of advanced biofuel between July 1, 2015, and June 30, 2025. Requires eligible producers to submit quarterly claims for payment (supported by a CPA audit statement). Directs MDA to issue cash grants to eligible persons at specified rates. Those who produce advanced biofuel from cellulosic sources (as defined) would receive a higher payment than those who use sugar or starch. Conventional ethanol and biodiesel are not eligible. Producers creating advanced biofuel from agricultural cellulosic materials other than corn kernel fiber or biogas would be required to derive specific percentages of their eligible MMbtus from perennial crop or cover crop biomass.
- 33**     **Renewable chemical production incentive.** Creates a new grant program substantially similar to the Advanced Biofuel Production Incentive program in the prior section, but for eligible producers of at least three million pounds/year of cellulosic sugar or renewable chemicals derived from sugar or cellulosic materials. The payment rate is doubled for cellulosic-derived renewable chemical. Qualifying cellulosic sugar and renewable chemicals must be sourced primarily from “biobased content,” as defined in Minnesota Statutes, section 41A.105, as “a chemical, polymer, monomer, or plastic that is not sold primarily for use as food, feed, or fuel and that has a biobased percentage of at least 51 percent as determined by testing representative samples using American Society for Testing and Materials specification D6866.” A 20 percent payment bonus would be available for each pound of renewable chemical produced from perennial or cover crops.
- 34**     **Biomass thermal production incentive.** Creates a new grant program substantially similar to the programs in the prior two sections, but for biomass thermal production, as defined. Sets requirements for production of the agricultural or forestry biomass used to produce grant-eligible biomass thermal energy. A 20 percent payment bonus would be available for each MMbtu produced from perennial or cover crops.

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- 35 Report; incentive programs.** Requires MDA to submit an annual report to the legislative agriculture and environment committees.
- 36 Application fee.** Deposits application fees for the Rural Finance Authority's (RFA) Beginning Farmer and Seller-Sponsored loan programs in the new account established in the following section. RFA is the state's main agriculture lending arm and is administered by MDA.
- 37 Rural Finance Authority administrative account.** Creates this new account in the Agricultural Fund. Statutorily appropriates account money to MDA for administration expenses associated with the RFA loan programs.
- 38 Application and origination fee.** Deposits application and origination fees for RFA's Loan Restructuring Program in the new account established in the prior section.
- 39 Application and origination fee.** Deposits application fees for RFA's Agricultural Improvement Loan Program in the new account established in a prior section.
- 40 Specifications.** Authorizes RFA to participate in Livestock Expansion loans that are used by a farmer to refinance existing debt.
- 41 Application and origination fee.** Deposits application and origination fees for RFA's Livestock Expansion Loan Program in the new account established in a prior section.
- 42 Loans.** Deposits application fees for RFA's Value-Added Agricultural Product Loan Program in the new account established in a prior section.
- 43 Establishment.** Expands RFA's Disaster Recovery Loan Program by authorizing RFA's participation in loans that help farmers restore farmland.
- 44 Loans.** Deposits application fees for RFA's Disaster Recovery Loan Program in the new account established in a prior section.
- 45 Loans.** Deposits application fees for RFA's Agroforestry Loan Program in the new account established in a prior section.
- 46 Loans.** Deposits application fees for RFA's Methane Digester Program in the new account established in a prior section.
- 47 Loans.** Deposits application fees for RFA's Livestock Equipment Loan Program in the new account established in a prior section.
- 48 Definitions.** Expands the definition of eligible livestock under RFA's Pilot Agricultural Microloan Program.
- 49 Farm Opportunity Loan Program.** Creates a new RFA loan program to enable farmers to add value to crops or livestock, adopt best management practices that emphasize sufficiency and self-sufficiency, achieve environmental improvements through reduced or improved management of inputs, or increase on-farm energy production. Requires a \$50 application fee. Limits state participation in Farm Opportunity Loans to individuals to 45 percent of loan principal or \$45,000, whichever is less. For loans to a group of four or more individuals, the state participation cap would be \$180,000. Participating lenders would own the remainder of

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the loan. Caps the interest rate on the state's share of a Farm Opportunity Loan at six percent.

- 50 Rural Finance Authority revolving loan account.** Deposits Farm Opportunity Loan repayments in RFA's revolving loan account.
- 51 Farm business management.** Authorizes Minnesota State Colleges and Universities campuses that offer Farm Business Management courses to specify space availability.
- 52 Reports.** Establishes a \$15 filing fee when a pension or investment fund, corporation, limited partnership, limited liability company, or other entity applies to MDA for an exemption from the corporate farm law. The corporate farm law bars ownership or operation of farmland by these entities unless MDA grants an exemption.
- 53 Agriculture.** Allows Second Harvest Heartland to use up to fifteen percent of a prior appropriation for administrative and transportation costs under the "Farm-to-Foodshelf" program and allows Second Harvest to acquire food that farmers otherwise would sell in a secondary market.
- 54 Livestock industry study.** Requires MDA to report on the causes of the relative growth or decline in the number of head of poultry and livestock raised in Minnesota and neighboring states over the last ten years.
- 55 Feasibility study; importing bait fish for resale.** Require MDA to appoint a working group composed of specified entities and report back to the legislature on (1) the feasibility of a Minnesota company importing bait fish for resale in the state and (2) how to increase Minnesota production of the same bait fish species. The study is due to the legislature on February 1, 2016.
- 56 Correctional facility vocational training pilot program.** Requires MDA to coordinate a pilot program at the Northeast Regional Corrections Center to train inmates for meat cutting careers upon release. This section would expire June 30, 2017.
- 57 Urban agriculture development proposal.** Requires MDA to convene interested stakeholders and develop a proposal to promote urban agriculture in Minnesota cities. Defines "urban agriculture." MDA must report by January 15, 2016 and submit proposed legislation.
- 58 Balances transferred; accounts abolished.** Abolishes existing separate RFA loan program accounts and transfers any balances in those accounts to the new RFA administrative account created in a prior section. Abolishes a separate account for MDA's Shared Savings Loan Program and transfers any balance to the new RFA administrative account created in this bill. The Shared Savings Loan Program is repealed in the following section.
- 59 Repealer.** Eliminates: the Shared Savings Loan Program (§ 17.115); existing "pickle bill" and "hot dish" food-handler license exemptions (§ 28A.15, subdivisions 9 and 10); and a \$1,000,000 annual statutory general fund appropriation to AURI (§ 116V.03).