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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETIETH SESSION

H. F. No. 3719

- 03/12/2018 Authored by Hamilton; Anderson, P.; Metsa; Sundin; Fabian and others
The bill was read for the first time and referred to the Committee on Agriculture Policy
- 03/21/2018 Adoption of Report: Re-referred to the Committee on Agriculture Finance
- 04/18/2018 Adoption of Report: Amended and re-referred to the Committee on Ways and Means

1.1 A bill for an act

1.2 relating to agriculture; excluding sales of off-sale alcoholic beverages when

1.3 determining a food handler license fee; modifying eligibility criteria for certain

1.4 production incentive programs; extending a fertilizer research fee, council, and

1.5 grant program; establishing a rural energy feasibility loan program; allowing the

1.6 commissioner of agriculture to reimburse extension educators who determine the

1.7 fair market value of certain destroyed or crippled livestock; increasing funding for

1.8 farmer mental health counseling; creating a loan program; requiring approval of

1.9 certain proposed rules; authorizing the sale of certain bonds; making technical

1.10 changes; appropriating money; amending Minnesota Statutes 2016, sections

1.11 18C.425, subdivision 6; 18C.80, subdivision 2; 28A.16; 41A.16, subdivisions 1,

1.12 2; 41A.17, subdivision 1; 41A.18, subdivision 1; 41B.056, subdivision 2; 41B.06;

1.13 103H.275, subdivision 1; Minnesota Statutes 2017 Supplement, sections 18C.70,

1.14 subdivision 5; 18C.71, subdivision 4; Laws 2017, chapter 88, article 1, section 2,

1.15 subdivisions 1, 2, 4, 5; proposing coding for new law in Minnesota Statutes, chapter

1.16 41B.

1.17 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.18 ARTICLE 1

1.19 AGRICULTURE APPROPRIATIONS

1.20 Section 1. Laws 2017, chapter 88, article 1, section 2, subdivision 1, is amended to read:

1.21 **53,148,000**

1.22 Subdivision 1. **Total Appropriation** **\$ 53,096,000 \$ 53,395,000**

1.23 Appropriations by Fund

	2018	2019
1.24		52,751,000
1.25		<u>52,998,000</u>
1.26	General 52,703,000	<u>52,998,000</u>
1.27	Remediation 393,000	397,000

2.1 The amounts that may be spent for each
 2.2 purpose are specified in the following
 2.3 subdivisions.

2.4 Sec. 2. Laws 2017, chapter 88, article 1, section 2, subdivision 2, is amended to read:

2.5 Subd. 2. **Protection Services** 17,821,000 17,825,000

2.6	Appropriations by Fund	
2.7	2018	2019
2.8	General 17,428,000	17,428,000
2.9	Remediation 393,000	397,000

2.10 (a) \$25,000 the first year and \$25,000 the
 2.11 second year are to develop and maintain
 2.12 cottage food license exemption outreach and
 2.13 training materials.

2.14 (b) \$75,000 the first year and \$75,000 the
 2.15 second year are to coordinate the correctional
 2.16 facility vocational training program and to
 2.17 assist entities that have explored the feasibility
 2.18 of establishing a USDA-certified or state
 2.19 "equal to" food processing facility within 30
 2.20 miles of the Northeast Regional Corrections
 2.21 Center.

2.22 (c) \$125,000 the first year and \$125,000 the
 2.23 second year are for additional funding for the
 2.24 noxious weed and invasive plant program.

2.25 These are onetime appropriations.

2.26 (d) \$250,000 the first year and \$250,000 the
 2.27 second year are for transfer to the pollinator
 2.28 habitat and research account in the agricultural
 2.29 fund. These are onetime transfers.

2.30 (e) \$393,000 the first year and \$397,000 the
 2.31 second year are from the remediation fund for
 2.32 administrative funding for the voluntary
 2.33 cleanup program.

3.1 (f) \$200,000 the first year and \$200,000 the
3.2 second year are for the industrial hemp pilot
3.3 program under Minnesota Statutes, section
3.4 18K.09. These are onetime appropriations.

3.5 (g) \$175,000 the first year and \$175,000 the
3.6 second year are for compensation for
3.7 destroyed or crippled livestock under
3.8 Minnesota Statutes, section 3.737. This
3.9 appropriation may be spent to compensate for
3.10 livestock that were destroyed or crippled
3.11 during fiscal year 2017. If the amount in the
3.12 first year is insufficient, the amount in the
3.13 second year is available in the first year. The
3.14 commissioner may use up to \$5,000 of this
3.15 appropriation each year to reimburse expenses
3.16 incurred by university extension educators to
3.17 provide fair market values of destroyed or
3.18 crippled livestock.

3.19 (h) \$155,000 the first year and \$155,000 the
3.20 second year are for compensation for crop
3.21 damage under Minnesota Statutes, section
3.22 3.7371. If the amount in the first year is
3.23 insufficient, the amount in the second year is
3.24 available in the first year. The commissioner
3.25 may use up to \$30,000 of the appropriation
3.26 each year to reimburse expenses incurred by
3.27 the commissioner or the commissioner's
3.28 approved agent to investigate and resolve
3.29 claims.

3.30 If the commissioner determines that claims
3.31 made under Minnesota Statutes, section 3.737
3.32 or 3.7371, are unusually high, amounts
3.33 appropriated for either program may be
3.34 transferred to the appropriation for the other
3.35 program.

4.1 (i) \$250,000 the first year and \$250,000 the
 4.2 second year are to expand current capabilities
 4.3 for rapid detection, identification, containment,
 4.4 control, and management of high priority plant
 4.5 pests and pathogens. These are onetime
 4.6 appropriations.

4.7 (j) \$300,000 the first year and \$300,000 the
 4.8 second year are for transfer to the noxious
 4.9 weed and invasive plant species assistance
 4.10 account in the agricultural fund to award
 4.11 grants to local units of government under
 4.12 Minnesota Statutes, section 18.90, with
 4.13 preference given to local units of government
 4.14 responding to Palmer amaranth or other weeds
 4.15 on the eradicate list. These are onetime
 4.16 transfers.

4.17 (k) \$120,000 the first year and \$120,000 the
 4.18 second year are for wolf-livestock conflict
 4.19 prevention grants under article 2, section 89.
 4.20 The commissioner must submit a report to the
 4.21 chairs and ranking minority members of the
 4.22 legislative committees with jurisdiction over
 4.23 agriculture policy and finance by January 15,
 4.24 2020, on the outcomes of the wolf-livestock
 4.25 conflict prevention grants and whether
 4.26 livestock compensation claims were reduced
 4.27 in the areas that grants were awarded. These
 4.28 are onetime appropriations.

4.29 Sec. 3. Laws 2017, chapter 88, article 1, section 2, subdivision 4, is amended to read:

4.30	Subd. 4. Agriculture, Bioenergy, and Bioproduct		
4.31	Advancement	22,581,000	22,636,000

4.32 (a) \$9,300,000 the first year and \$9,300,000
 4.33 the second year are for transfer to the
 4.34 agriculture research, education, extension, and

5.1 technology transfer account under Minnesota
5.2 Statutes, section 41A.14, subdivision 3. Of
5.3 these amounts: at least \$600,000 the first year
5.4 and \$600,000 the second year are for the
5.5 Minnesota Agricultural Experiment Station's
5.6 agriculture rapid response fund under
5.7 Minnesota Statutes, section 41A.14,
5.8 subdivision 1, clause (2); \$2,000,000 the first
5.9 year and \$2,000,000 the second year are for
5.10 grants to the Minnesota Agriculture Education
5.11 Leadership Council to enhance agricultural
5.12 education with priority given to Farm Business
5.13 Management challenge grants; \$350,000 the
5.14 first year and \$350,000 the second year are
5.15 for potato breeding; and \$450,000 the first
5.16 year and \$450,000 the second year are for the
5.17 cultivated wild rice breeding project at the
5.18 North Central Research and Outreach Center
5.19 to include a tenure track/research associate
5.20 plant breeder. The commissioner shall transfer
5.21 the remaining funds in this appropriation each
5.22 year to the Board of Regents of the University
5.23 of Minnesota for purposes of Minnesota
5.24 Statutes, section 41A.14. Of the amount
5.25 transferred to the Board of Regents, up to
5.26 \$1,000,000 each year is for research on avian
5.27 influenza, including prevention measures that
5.28 can be taken.

5.29 To the extent practicable, funds expended
5.30 under Minnesota Statutes, section 41A.14,
5.31 subdivision 1, clauses (1) and (2), must
5.32 supplement and not supplant existing sources
5.33 and levels of funding. The commissioner may
5.34 use up to one percent of this appropriation for
5.35 costs incurred to administer the program.

6.1 (b) \$13,256,000 the first year and \$13,311,000
6.2 the second year are for the agricultural growth,
6.3 research, and innovation program in
6.4 Minnesota Statutes, section 41A.12. Except
6.5 as provided below, the commissioner may
6.6 allocate the appropriation each year among
6.7 the following areas: facilitating the start-up,
6.8 modernization, or expansion of livestock
6.9 operations including beginning and
6.10 transitioning livestock operations; developing
6.11 new markets for Minnesota farmers by
6.12 providing more fruits, vegetables, meat, grain,
6.13 and dairy for Minnesota school children;
6.14 assisting value-added agricultural businesses
6.15 to begin or expand, access new markets, or
6.16 diversify; providing funding not to exceed
6.17 \$250,000 each year for urban youth
6.18 agricultural education or urban agriculture
6.19 community development; providing funding
6.20 not to exceed \$250,000 each year for the good
6.21 food access program under Minnesota
6.22 Statutes, section 17.1017; facilitating the
6.23 start-up, modernization, or expansion of other
6.24 beginning and transitioning farms including
6.25 by providing loans under Minnesota Statutes,
6.26 section 41B.056; sustainable agriculture
6.27 on-farm research and demonstration;
6.28 development or expansion of food hubs and
6.29 other alternative community-based food
6.30 distribution systems; enhancing renewable
6.31 energy infrastructure and use; crop research;
6.32 Farm Business Management tuition assistance;
6.33 good agricultural practices/good handling
6.34 practices certification assistance; establishing
6.35 and supporting farmer-led water management
6.36 councils; and implementing farmer-led water

7.1 quality improvement practices. The
7.2 commissioner may use up to 6.5 percent of
7.3 this appropriation for costs incurred to
7.4 administer the program.

7.5 Of the amount appropriated for the agricultural
7.6 growth, research, and innovation program in
7.7 Minnesota Statutes, section 41A.12:

7.8 (1) \$1,000,000 the first year and \$1,000,000
7.9 the second year are for distribution in equal
7.10 amounts to each of the state's county fairs to
7.11 preserve and promote Minnesota agriculture;
7.12 and

7.13 (2) \$1,500,000 the first year and \$1,500,000
7.14 the second year are for incentive payments
7.15 under Minnesota Statutes, sections 41A.16,
7.16 41A.17, and 41A.18. Notwithstanding
7.17 Minnesota Statutes, section 16A.28, the first
7.18 year appropriation is available until June 30,
7.19 2019, and the second year appropriation is
7.20 available until June 30, 2020. If this
7.21 appropriation exceeds the total amount for
7.22 which all producers are eligible in a fiscal
7.23 year, ~~the balance of the appropriation is~~
7.24 ~~available for the agricultural growth, research,~~
7.25 ~~and innovation program.~~ commissioner must
7.26 issue incentive payments under Minnesota
7.27 Statutes, section 41A.17, to facilities that
7.28 otherwise satisfy the criteria and requirements
7.29 in that section but began producing renewable
7.30 chemical from forestry biomass between
7.31 January 1, 2013, and January 1, 2015.

7.32 The commissioner may use funds appropriated
7.33 under this subdivision to award up to two
7.34 value-added agriculture grants per year of up
7.35 to \$1,000,000 per grant for new or expanding

8.1 agricultural production or processing facilities
8.2 that provide significant economic impact to
8.3 the region. The commissioner may use funds
8.4 appropriated under this subdivision for
8.5 additional value-added agriculture grants for
8.6 awards between \$1,000 and \$200,000 per
8.7 grant.

8.8 Appropriations in clauses (1) and (2) are
8.9 onetime. Any unencumbered balance does not
8.10 cancel at the end of the first year and is
8.11 available for the second year. Notwithstanding
8.12 Minnesota Statutes, section 16A.28,
8.13 appropriations encumbered under contract on
8.14 or before June 30, 2019, for agricultural
8.15 growth, research, and innovation grants are
8.16 available until June 30, 2021.

8.17 The base budget for the agricultural growth,
8.18 research, and innovation program is
8.19 \$14,275,000 for fiscal years 2020 and 2021
8.20 and includes funding for incentive payments
8.21 under Minnesota Statutes, sections 41A.16,
8.22 41A.17, 41A.18, and 41A.20.

8.23 The commissioner must develop additional
8.24 innovative production incentive programs to
8.25 be funded by the agricultural growth, research,
8.26 and innovation program.

8.27 The commissioner must consult with the
8.28 commissioner of transportation, the
8.29 commissioner of administration, and local
8.30 units of government to identify parcels of
8.31 publicly owned land that are suitable for urban
8.32 agriculture.

8.33 (c) \$25,000 the first year and \$25,000 the
8.34 second year are for grants to the Southern

9.1 Minnesota Initiative Foundation to promote
 9.2 local foods through an annual event that raises
 9.3 public awareness of local foods and connects
 9.4 local food producers and processors with
 9.5 potential buyers.

9.6 Sec. 4. Laws 2017, chapter 88, article 1, section 2, subdivision 5, is amended to read:

9.7			8,691,000
9.8	Subd. 5. Administration and Financial Assistance	8,698,000	<u>8,938,000</u>

9.9 (a) \$474,000 the first year and \$474,000 the
 9.10 second year are for payments to county and
 9.11 district agricultural societies and associations
 9.12 under Minnesota Statutes, section 38.02,
 9.13 subdivision 1. Aid payments to county and
 9.14 district agricultural societies and associations
 9.15 shall be disbursed no later than July 15 of each
 9.16 year. These payments are the amount of aid
 9.17 from the state for an annual fair held in the
 9.18 previous calendar year.

9.19 (b) \$1,000 the first year and \$1,000 the second
 9.20 year are for grants to the Minnesota State
 9.21 Poultry Association.

9.22 (c) \$18,000 the first year and \$18,000 the
 9.23 second year are for grants to the Minnesota
 9.24 Livestock Breeders Association.

9.25 (d) \$47,000 the first year and \$47,000 the
 9.26 second year are for the Northern Crops
 9.27 Institute. These appropriations may be spent
 9.28 to purchase equipment.

9.29 (e) \$220,000 the first year and ~~\$220,000~~
 9.30 \$250,000 the second year are for farm
 9.31 advocate services.

- 10.1 (f) \$17,000 the first year and \$17,000 the
10.2 second year are for grants to the Minnesota
10.3 Horticultural Society.
- 10.4 (g) \$108,000 the first year and \$108,000 the
10.5 second year are for annual grants to the
10.6 Minnesota Turf Seed Council for basic and
10.7 applied research on: (1) the improved
10.8 production of forage and turf seed related to
10.9 new and improved varieties; and (2) native
10.10 plants, including plant breeding, nutrient
10.11 management, pest management, disease
10.12 management, yield, and viability. The grant
10.13 recipient may subcontract with a qualified
10.14 third party for some or all of the basic or
10.15 applied research. Any unencumbered balance
10.16 does not cancel at the end of the first year and
10.17 is available for the second year. These are
10.18 onetime appropriations.
- 10.19 (h) \$113,000 the first year and ~~\$113,000~~
10.20 \$330,000 the second year are for transfer to
10.21 the Board of Trustees of the Minnesota State
10.22 Colleges and Universities for statewide mental
10.23 health counseling support to farm families and
10.24 business operators through the Minnesota State
10.25 Agricultural Centers of Excellence. South
10.26 Central College and Central Lakes College
10.27 shall serve as the fiscal ~~agent~~ agents.
- 10.28 (i) \$550,000 the first year and \$550,000 the
10.29 second year are for grants to Second Harvest
10.30 Heartland on behalf of Minnesota's six
10.31 Feeding America food banks for the purchase
10.32 of milk for distribution to Minnesota's food
10.33 shelves and other charitable organizations that
10.34 are eligible to receive food from the food
10.35 banks. Milk purchased under the grants must

11.1 be acquired from Minnesota milk processors
11.2 and based on low-cost bids. The milk must be
11.3 allocated to each Feeding America food bank
11.4 serving Minnesota according to the formula
11.5 used in the distribution of United States
11.6 Department of Agriculture commodities under
11.7 The Emergency Food Assistance Program
11.8 (TEFAP). Second Harvest Heartland must
11.9 submit quarterly reports to the commissioner
11.10 on forms prescribed by the commissioner. The
11.11 reports must include, but are not limited to,
11.12 information on the expenditure of funds, the
11.13 amount of milk purchased, and the
11.14 organizations to which the milk was
11.15 distributed. Second Harvest Heartland may
11.16 enter into contracts or agreements with food
11.17 banks for shared funding or reimbursement of
11.18 the direct purchase of milk. Each food bank
11.19 receiving money from this appropriation may
11.20 use up to two percent of the grant for
11.21 administrative expenses. Any unencumbered
11.22 balance does not cancel at the end of the first
11.23 year and is available for the second year.

11.24 (j) \$1,100,000 the first year and \$1,100,000
11.25 the second year are for grants to Second
11.26 Harvest Heartland on behalf of the six Feeding
11.27 America food banks that serve Minnesota to
11.28 compensate agricultural producers and
11.29 processors for costs incurred to harvest and
11.30 package for transfer surplus fruits, vegetables,
11.31 and other agricultural commodities that would
11.32 otherwise go unharvested, be discarded, or
11.33 sold in a secondary market. Surplus
11.34 commodities must be distributed statewide to
11.35 food shelves and other charitable organizations
11.36 that are eligible to receive food from the food

12.1 banks. Surplus food acquired under this
12.2 appropriation must be from Minnesota
12.3 producers and processors. Second Harvest
12.4 Heartland must report in the form prescribed
12.5 by the commissioner. Second Harvest
12.6 Heartland may use up to 15 percent of each
12.7 grant for matching administrative and
12.8 transportation expenses. Any unencumbered
12.9 balance does not cancel at the end of the first
12.10 year and is available for the second year.

12.11 (k) \$150,000 the first year and \$150,000 the
12.12 second year are for grants to the Center for
12.13 Rural Policy and Development.

12.14 (l) \$235,000 the first year and \$235,000 the
12.15 second year are for grants to the Minnesota
12.16 Agricultural Education and Leadership
12.17 Council for programs of the council under
12.18 Minnesota Statutes, chapter 41D.

12.19 (m) \$600,000 the first year and \$600,000 the
12.20 second year are for grants to the Board of
12.21 Regents of the University of Minnesota to
12.22 develop, in consultation with the
12.23 commissioner of agriculture and the Board of
12.24 Animal Health, a software tool or application
12.25 through the Veterinary Diagnostic Laboratory
12.26 that empowers veterinarians and producers to
12.27 understand the movement of unique pathogen
12.28 strains in livestock and poultry production
12.29 systems, monitor antibiotic resistance, and
12.30 implement effective biosecurity measures that
12.31 promote animal health and limit production
12.32 losses. These are onetime appropriations.

12.33 (n) \$150,000 the first year is for the tractor
12.34 rollover protection pilot program under
12.35 Minnesota Statutes, section 17.119. This is a

13.1 onetime appropriation and is available until
13.2 June 30, 2019.

13.3 (o) \$400,000 the first year is for a grant to the
13.4 Board of Trustees of the Minnesota State
13.5 Colleges and Universities to expand and
13.6 renovate the GROW-IT Center at Metropolitan
13.7 State University. This is a onetime
13.8 appropriation.

13.9 By January 15, 2018, the commissioner shall
13.10 submit a report to the chairs and ranking
13.11 minority members of the legislative
13.12 committees with jurisdiction over agricultural
13.13 policy and finance with a list of inspections
13.14 the department conducts at more frequent
13.15 intervals than federal law requires, an
13.16 explanation of why the additional inspections
13.17 are necessary, and provide recommendations
13.18 for eliminating any unnecessary inspections.

13.19 **Sec. 5. RURAL FINANCE AUTHORITY.**

13.20 Subdivision 1. **Appropriation.** \$35,000,000 is appropriated from the bond proceeds
13.21 fund to the Rural Finance Authority for the purposes set forth in the Minnesota Constitution,
13.22 article XI, section 5, paragraph (h), to purchase participation interests in or to make direct
13.23 agricultural loans to farmers under Minnesota Statutes, chapter 41B. This appropriation is
13.24 from the bond proceeds account in the rural finance administration fund and is for the
13.25 beginning farmer program under Minnesota Statutes, section 41B.039; the loan restructuring
13.26 program under Minnesota Statutes, section 41B.04; the seller-sponsored program under
13.27 Minnesota Statutes, section 41B.042; the agricultural improvement loan program under
13.28 Minnesota Statutes, section 41B.043; and the livestock expansion loan program under
13.29 Minnesota Statutes, section 41B.045. All debt service on bond proceeds used to finance
13.30 this appropriation must be repaid by the Rural Finance Authority under Minnesota Statutes,
13.31 section 16A.643. Loan participations must be priced to provide full interest and principal
13.32 coverage and a reserve for potential losses. Priority for loans must be given first to basic
13.33 beginning farmer loans, second to seller-sponsored loans, and third to agricultural
13.34 improvement loans.

14.1 Subd. 2. **Bond sale expenses.** \$35,000 is appropriated from the bond proceeds fund to
 14.2 the commissioner of management and budget for bond sale expenses under Minnesota
 14.3 Statutes, section 16A.641, subdivision 8.

14.4 Subd. 3. **Bond sale.** To provide the money appropriated in this section from the bond
 14.5 proceeds fund, the commissioner of management and budget shall sell and issue bonds of
 14.6 the state in an amount up to \$35,035,000 in the manner, upon the terms, and with the effect
 14.7 prescribed by Minnesota Statutes, sections 16A.631 to 16A.675, and by the Minnesota
 14.8 Constitution, article XI, sections 4 to 7.

14.9 **EFFECTIVE DATE.** This section is effective the day following final enactment.

14.10 **ARTICLE 2**

14.11 **AGRICULTURE STATUTORY CHANGES**

14.12 Section 1. Minnesota Statutes 2016, section 18C.425, subdivision 6, is amended to read:

14.13 **Subd. 6. Payment of inspection fee.** (a) The person who registers and distributes in the
 14.14 state a specialty fertilizer, soil amendment, or plant amendment under section 18C.411 shall
 14.15 pay the inspection fee to the commissioner.

14.16 (b) The person licensed under section 18C.415 who distributes a fertilizer to a person
 14.17 not required to be so licensed shall pay the inspection fee to the commissioner, except as
 14.18 exempted under section 18C.421, subdivision 1, paragraph (b).

14.19 (c) The person responsible for payment of the inspection fees for fertilizers, soil
 14.20 amendments, or plant amendments sold and used in this state must pay an inspection fee of
 14.21 39 cents per ton, and until June 30, ~~2019~~ 2029, an additional 40 cents per ton, of fertilizer,
 14.22 soil amendment, and plant amendment sold or distributed in this state, with a minimum of
 14.23 \$10 on all tonnage reports. Notwithstanding section 18C.131, the commissioner must deposit
 14.24 all revenue from the additional 40 cents per ton fee in the agricultural fertilizer research and
 14.25 education account in section 18C.80. Products sold or distributed to manufacturers or
 14.26 exchanged between them are exempt from the inspection fee imposed by this subdivision
 14.27 if the products are used exclusively for manufacturing purposes.

14.28 (d) A registrant or licensee must retain invoices showing proof of fertilizer, plant
 14.29 amendment, or soil amendment distribution amounts and inspection fees paid for a period
 14.30 of three years.

15.1 Sec. 2. Minnesota Statutes 2017 Supplement, section 18C.70, subdivision 5, is amended
15.2 to read:

15.3 Subd. 5. **Expiration.** This section expires June 30, ~~2020~~ 2030.

15.4 Sec. 3. Minnesota Statutes 2017 Supplement, section 18C.71, subdivision 4, is amended
15.5 to read:

15.6 Subd. 4. **Expiration.** This section expires June 30, ~~2020~~ 2030.

15.7 Sec. 4. Minnesota Statutes 2016, section 18C.80, subdivision 2, is amended to read:

15.8 Subd. 2. **Expiration.** This section expires June 30, ~~2020~~ 2030.

15.9 Sec. 5. Minnesota Statutes 2016, section 28A.16, is amended to read:

15.10 **28A.16 PERSONS SELLING LIQUOR.**

15.11 (a) The provisions of the Minnesota consolidated food licensing law, sections 28A.01
15.12 to 28A.16 and acts amendatory thereto, shall not apply to persons licensed to sell 3.2 percent
15.13 malt liquor "on-sale" as provided in section 340A.403, or to persons licensed to sell
15.14 intoxicating liquors "on-sale" or "off-sale" as provided in sections 340A.404 to 340A.407,
15.15 provided that these persons sell only ice manufactured and packaged by another, or bottled
15.16 or canned soft drinks and prepacked candy at retail.

15.17 (b) When an exclusive liquor store is not exempt under paragraph (a), the commissioner
15.18 must exclude all gross sales of off-sale alcoholic beverages when determining the applicable
15.19 license fee under section 28A.08, subdivision 3. For purposes of this paragraph, "exclusive
15.20 liquor store" and "alcoholic beverage" have the meanings given in section 340A.101.

15.21 Sec. 6. Minnesota Statutes 2016, section 41A.16, subdivision 1, is amended to read:

15.22 Subdivision 1. **Eligibility.** (a) A facility eligible for payment under this section must
15.23 source from Minnesota at least 80 percent ~~raw materials from Minnesota.~~ of the biomass
15.24 used to produce an advanced biofuel, except that, if a facility is sited 50 miles or less from
15.25 the state border, ~~raw materials~~ biomass used to produce an advanced biofuel may be sourced
15.26 from outside of Minnesota, but only if at least 80 percent of the biomass is sourced from
15.27 within a 100-mile radius of the facility or from within Minnesota. ~~Raw materials must be~~
15.28 ~~from agricultural or forestry sources or from solid waste.~~ The facility must be located in
15.29 Minnesota, must begin production at a specific location by June 30, 2025, and must not
15.30 begin operating above 23,750 MMbtu of quarterly advanced biofuel production before July

16.1 1, 2015. Eligible facilities include existing companies and facilities that are adding advanced
16.2 biofuel production capacity, or retrofitting existing capacity, as well as new companies and
16.3 facilities. Production of conventional corn ethanol and conventional biodiesel is not eligible.
16.4 Eligible advanced biofuel facilities must produce at least ~~23,750~~ 1,500 MMbtu of advanced
16.5 biofuel quarterly.

16.6 (b) No payments shall be made for advanced biofuel production that occurs after June
16.7 30, 2035, for those eligible biofuel producers under paragraph (a).

16.8 (c) An eligible producer of advanced biofuel shall not transfer the producer's eligibility
16.9 for payments under this section to an advanced biofuel facility at a different location.

16.10 (d) A producer that ceases production for any reason is ineligible to receive payments
16.11 under this section until the producer resumes production.

16.12 (e) Renewable chemical production for which payment has been received under section
16.13 41A.17, and biomass thermal production for which payment has been received under section
16.14 41A.18, are not eligible for payment under this section.

16.15 (f) Biobutanol is eligible under this section.

16.16 Sec. 7. Minnesota Statutes 2016, section 41A.16, subdivision 2, is amended to read:

16.17 Subd. 2. **Payment amounts; limits.** (a) The commissioner shall make payments to
16.18 eligible producers of advanced biofuel. The amount of the payment for each eligible
16.19 producer's annual production is \$2.1053 per MMbtu for advanced biofuel production from
16.20 cellulosic biomass, and \$1.053 per MMbtu for advanced biofuel production from sugar ~~or~~
16.21 starch, oil, or animal fat at a specific location for ten years after the start of production.

16.22 (b) Total payments under this section to an eligible biofuel producer in a fiscal year may
16.23 not exceed the amount necessary for 2,850,000 MMbtu of biofuel production. Total payments
16.24 under this section to all eligible biofuel producers in a fiscal year may not exceed the amount
16.25 necessary for 17,100,000 MMbtu of biofuel production. The commissioner shall award
16.26 payments on a first-come, first-served basis within the limits of available funding.

16.27 (c) For purposes of this section, an entity that holds a controlling interest in more than
16.28 one advanced biofuel facility is considered a single eligible producer.

16.29 Sec. 8. Minnesota Statutes 2016, section 41A.17, subdivision 1, is amended to read:

16.30 Subdivision 1. **Eligibility.** (a) A facility eligible for payment under this ~~program~~ section
16.31 must source from Minnesota at least 80 percent ~~biobased content from Minnesota.~~ of the

17.1 biomass used to produce a renewable chemical, except that, if a facility is sited 50 miles or
 17.2 less from the state border, ~~biobased content must~~ biomass used to produce a renewable
 17.3 chemical may be sourced from outside of Minnesota, but only if at least 80 percent of the
 17.4 biomass is sourced from within a 100-mile radius of the facility or from within Minnesota.
 17.5 ~~Biobased content must be from agricultural or forestry sources or from solid waste.~~ The
 17.6 facility must be located in Minnesota, must begin production at a specific location by June
 17.7 30, 2025, and must not begin production of ~~750,000~~ 250,000 pounds of chemicals quarterly
 17.8 before January 1, 2015. Eligible facilities include existing companies and facilities that are
 17.9 adding production capacity, or retrofitting existing capacity, as well as new companies and
 17.10 facilities. Eligible renewable chemical facilities must produce at least ~~750,000~~ 250,000
 17.11 pounds of renewable chemicals quarterly. Renewable chemicals produced through processes
 17.12 that are fully commercial before January 1, 2000, are not eligible.

17.13 (b) No payments shall be made for renewable chemical production that occurs after June
 17.14 30, 2035, for those eligible renewable chemical producers under paragraph (a).

17.15 (c) An eligible producer of renewable chemicals shall not transfer the producer's eligibility
 17.16 for payments under this section to a renewable chemical facility at a different location.

17.17 (d) A producer that ceases production for any reason is ineligible to receive payments
 17.18 under this section until the producer resumes production.

17.19 (e) Advanced biofuel production for which payment has been received under section
 17.20 41A.16, and biomass thermal production for which payment has been received under section
 17.21 41A.18, are not eligible for payment under this section.

17.22 Sec. 9. Minnesota Statutes 2016, section 41A.18, subdivision 1, is amended to read:

17.23 Subdivision 1. **Eligibility.** (a) A facility eligible for payment under this section must
 17.24 source from Minnesota at least 80 percent ~~raw materials from Minnesota.~~ of the biomass
 17.25 used for biomass thermal production, except that, if a facility is sited 50 miles or less from
 17.26 the state border, ~~raw materials should~~ biomass used for biomass thermal production may
 17.27 be sourced from outside of Minnesota, but only if at least 80 percent of the biomass is
 17.28 sourced from within a 100-mile radius of the facility, or from within Minnesota. ~~Raw~~
 17.29 ~~materials~~ Biomass must be from agricultural or forestry sources. The facility must be located
 17.30 in Minnesota, must have begun production at a specific location by June 30, 2025, and must
 17.31 not begin before July 1, 2015. Eligible facilities include existing companies and facilities
 17.32 that are adding production capacity, or retrofitting existing capacity, as well as new
 17.33 companies and facilities. Eligible biomass thermal production facilities must produce at
 17.34 least 250 MMbtu of biomass thermal quarterly.

18.1 (b) No payments shall be made for biomass thermal production that occurs after June
18.2 30, 2035, for those eligible biomass thermal producers under paragraph (a).

18.3 (c) An eligible producer of biomass thermal production shall not transfer the producer's
18.4 eligibility for payments under this section to a biomass thermal production facility at a
18.5 different location.

18.6 (d) A producer that ceases production for any reason is ineligible to receive payments
18.7 under this section until the producer resumes production.

18.8 (e) Biofuel production for which payment has been received under section 41A.16, and
18.9 renewable chemical production for which payment has been received under section 41A.17,
18.10 are not eligible for payment under this section.

18.11 Sec. 10. Minnesota Statutes 2016, section 41B.056, subdivision 2, is amended to read:

18.12 Subd. 2. **Definitions.** (a) The definitions in this subdivision apply to this section.

18.13 (b) "Intermediary" means any lending institution or other organization of a for-profit or
18.14 nonprofit nature that is in good standing with the state of Minnesota that has the appropriate
18.15 business structure and trained personnel suitable to providing efficient disbursement of loan
18.16 funds and the servicing and collection of loans.

18.17 (c) "Specialty crops" means crops produced in an aquaculture system and agricultural
18.18 crops, such as annuals, flowers, perennials, and other horticultural products, that are
18.19 intensively cultivated.

18.20 (d) "Eligible livestock" means fish produced in an aquaculture system, beef cattle, dairy
18.21 cattle, swine, poultry, goats, mules, farmed Cervidae, Ratitae, bison, sheep, horses, and
18.22 llamas.

18.23 Sec. 11. **[41B.058] RURAL ENERGY FEASIBILITY PROGRAM.**

18.24 Subdivision 1. Establishment. The authority must establish a rural energy feasibility
18.25 loan program to provide feasibility study loans to farmers, local units of government,
18.26 municipalities, and nonprofit entities to explore feasibility of renewable energy projects.

18.27 Subd. 2. Loan criteria. (a) The authority may impose a reasonable, nonrefundable
18.28 application fee for a rural energy feasibility loan. The authority may review the fee annually
18.29 and make adjustments as necessary. The initial application fee is \$50. Application fees
18.30 received by the authority must be deposited in the Rural Finance Authority administrative
18.31 account established in section 41B.03.

19.1 (b) Standards for loan amortization must be set by the authority and must not exceed
 19.2 five years.

19.3 (c) The borrower must demonstrate ability to repay the loan.

19.4 (d) Loans under this program must be made using money in the revolving loan account
 19.5 established in section 41B.06.

19.6 Subd. 3. **Loan participation.** The authority may participate in a rural energy feasibility
 19.7 loan with an eligible lender, as defined in section 41B.02, subdivision 8. Participation is
 19.8 limited to 90 percent of the principal amount of the loan or \$50,000 per project, whichever
 19.9 is less.

19.10 Sec. 12. Minnesota Statutes 2016, section 41B.06, is amended to read:

19.11 **41B.06 RURAL FINANCE AUTHORITY REVOLVING LOAN ACCOUNT.**

19.12 There is established in the rural finance administration fund a Rural Finance Authority
 19.13 revolving loan account that is eligible to receive appropriations and the transfer of loan
 19.14 funds from other programs. All repayments of financial assistance granted from this account,
 19.15 including principal and interest, must be deposited into this account. Interest earned on
 19.16 money in the account accrues to the account, and the money in the account is appropriated
 19.17 to the commissioner of agriculture for purposes of the Rural Finance Authority livestock
 19.18 equipment, methane digester, disaster recovery, value-added agricultural product,
 19.19 agroforestry, agricultural microloan, ~~and~~ farm opportunity loan, and rural energy feasibility
 19.20 programs, including costs incurred by the authority to establish and administer the programs.

19.21 Sec. 13. Minnesota Statutes 2016, section 103H.275, subdivision 1, is amended to read:

19.22 Subdivision 1. **Areas where groundwater pollution is detected.** (a) If groundwater
 19.23 pollution is detected, a state agency or political subdivision that regulates an activity causing
 19.24 or potentially causing a contribution to the pollution identified shall promote implementation
 19.25 of best management practices to prevent or minimize the source of pollution to the extent
 19.26 practicable.

19.27 (b) The Pollution Control Agency, or for agricultural chemicals and practices, the
 19.28 commissioner of agriculture may adopt water source protection requirements under
 19.29 subdivision 2 that are consistent with the goal of section 103H.001 and are commensurate
 19.30 with the groundwater pollution if the implementation of best management practices has
 19.31 proven to be ineffective.

19.32 (c) The water resources protection requirements must be:

- 20.1 (1) designed to prevent and minimize the pollution to the extent practicable;
- 20.2 (2) designed to prevent the pollution from exceeding the health risk limits; and
- 20.3 (3) submitted to the house of representatives and senate committees with jurisdiction
- 20.4 over the environment, natural resources, and agriculture.
- 20.5 (d) The commissioner of agriculture shall not adopt water resource protection
- 20.6 requirements under subdivision 2 for nitrogen fertilizer unless the water resource protection
- 20.7 requirements are specifically approved by law.

APPENDIX
Article locations in HF3719-1

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ARTICLE 2 AGRICULTURE STATUTORY CHANGES..... Page.Ln 14.10