

## CHAPTER 41A

### AGRICULTURAL DEVELOPMENT

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#### 41A.01 PURPOSE.

Sections 41A.01 to 41A.08 provide for agricultural and economic development in the state. All credit advanced pursuant to loan guaranty commitments is to be secured by subrogation of the state to mortgage security and other security interests granted to the private lender, in proportion to the amount advanced by the state. A board is established to investigate the feasibility of each project, its conformity to public policy and to environmental standards, the qualifications of the owners, operators, and lenders, and the nature and extent of the security, prior to commitment. The board shall also seek to secure financial participation by private persons not supported by the guaranty, to assure that in these respects each project satisfies and will continue to satisfy criteria which are adequate in the judgment of the board.

**History:** 1984 c 502 art 10 s 1; 1Sp1985 c 13 s 145; 1987 c 386 art 9 s 1

#### 41A.02 DEFINITIONS; ACTIONS BY THE STATE.

Subdivision 1. **Scope.** The definition of each term given in this section applies whenever the term is used in sections 41A.01 to 41A.09.

Subd. 2. **Agricultural resource.** "Agricultural resource" means any organic matter which is available on a renewable basis from agricultural processes, including agricultural crop, animal, and wood production, waste, and residues.

Subd. 3. **Minnesota Agricultural and Economic Development Board; board.** "Minnesota Agricultural and Economic Development Board" or "board" consists of the commissioner of management and budget as chair, the commissioner of agriculture, the commissioner of employment and economic development, the commissioner of the Pollution Control Agency, the president of Enterprise Minnesota, Inc. or the president's designee, and two public members with experience in finance, appointed by Enterprise Minnesota, Inc. The membership terms, compensation, removal, and filling of vacancies of public members of the board are as provided in section 15.0575.

Subd. 4. **Minnesota agricultural and economic development account; development account.** "Minnesota agricultural and economic development account" or "development account" means the account created by section 41A.05.

Subd. 5. **Agricultural resource loan guaranty program; program.** "Agricultural resource loan guaranty program" or "program" includes all projects, loan guaranties and bonds approved or issued pursuant to this chapter.

Subd. 6. **Agricultural resource project; project.** "Agricultural resource project" or "project" means (1) any facility, or portion of a facility, located in the state which is operated or to be operated primarily for the production from agricultural resources of marketable products, (2) buildings, equipment, and land used for the commercial production of turkeys or turkey products, (3) a facility or portion of a facility used for the commercial production of fish or of products made from commercially produced fish or rough fish, as defined in section 97A.015, subdivision 43, that are not commercially produced, or (4) real or personal property used or useful in connection with a revenue-producing enterprise, or a combination of two or more revenue-producing enterprises engaged in a business, that is not used for the production of livestock, other than poultry, or for the production of crops, plants, or milk. The land in clause (2) is limited to land on which buildings and equipment are situated and immediately surrounding land used for storage, waste disposal, or other functions directly related to the commercial production of turkeys or turkey products at that project site. The land in clause (2) does not include land used for the growing or raising of crops or the grazing of livestock other than poultry. A project includes a facility or portion of a facility for mixing or producing substances to be mixed with other substances for use as a fuel or as a substitute for petroleum or petrochemical feedstocks.

Subd. 7. **Applicant.** "Applicant" means any borrower or lender acting on behalf of a borrower or any rural development finance authority organized, or any county exercising the powers of such an authority, pursuant to chapter 362A, which applies to the state for approval of a guaranty of a loan to a borrower or issuance of bonds for a project.

Subd. 7a. **Bonds.** "Bonds" means bonds, notes, or other obligations issued by the board pursuant to this chapter.

Subd. 8. **Borrower.** "Borrower" means any private individual, company, cooperative, partnership, corporation, association, consortium, or other entity organized for a common business purpose, which is obligated or to be obligated to pay a guaranteed loan or receives a loan of bond proceeds.

Subd. 9. **Construction.** "Construction" means construction of a new agricultural resource project, or conversion of a facility to such a project, or expansion or improvement of a project to increase its capacity or efficiency. "Construction" includes acquisition of land, easements, buildings, structures, improvements, and equipment and machinery for use in or at the site of a project or on easements adjacent to the project site.

Subd. 10. **Cost.** "Cost" of a project means the sum of all obligations paid or to be paid or incurred by the borrower which are reasonably required for the construction and completion of the project, including but not limited to (i) surveys, estimates, plans, specifications, supervision of construction, and other engineering and architectural service; (ii) payments under construction contracts and for payment and performance bonds; (iii) purchase and installation of equipment and machinery; (iv) recording, filing, permit, legal, financial, underwriting, placement, commitment, publication, advertising, and other charges, fees, and expenses incurred for establishing title, mortgage liens, and security interests with respect to the project, for securing permits for construction and approval of the loan guaranty, for establishing the terms of the

loan and underlying security agreements, and for offering, selling, or placing with investors and printing and delivering the obligations evidencing the loan; and (v) interest, discount, fees, and expenses accruing with respect to the loan, and taxes and other government charges payable with respect to the project, during construction.

Subd. 11. **Lender.** "Lender" means a corporation or any investment or commercial banking institution, savings and loan institution, insurance company, investment company, other financial institution or institutional investor making, purchasing, or participating in a loan or any part of a loan, or a public entity authorized to make agricultural loans.

Subd. 12. **Loan.** "Loan" means any obligation to repay money borrowed to finance the construction of a project or to refund or refinance such an obligation.

Subd. 13. **Loan agreement.** "Loan agreement" means a written agreement or agreements setting forth the terms and conditions of the obligation of the borrower to the lender and the pledges and covenants made and mortgage lien and other security interests granted for the security of the obligations, including a mortgage, note, indenture, or other agreement however designated.

Subd. 14. **Loan guaranty.** "Loan guaranty" means a written agreement executed on behalf of the state that guarantees, in accordance with the terms and conditions contained in the agreement or in a loan agreement, the payment of sums of money owing by a borrower to a lender.

Subd. 15. **State.** "State" actions contemplated in sections 41A.01 to 41A.06 may be taken on behalf of the state by resolutions of the Minnesota Agricultural and Economic Development Board, subject to approval by the governor if required by the governor, or by a member of the board or another state officer in the department headed by the member, pursuant to authority delegated by resolution of the board. Resolutions of the board are effective when approved by the vote of a majority of its members.

Subd. 16. **Eligible small business.** "Eligible small business" means:

(1) an enterprise determined by the board to constitute a small business concern as defined in regulations of the United States Small Business Administration under United States Code, title 15, sections 631 to 647; or

(2) an enterprise eligible to receive assistance under section 41A.036.

Subd. 17. **Small business development loan.** "Small business development loan" means a loan to a business that is an "eligible small business" to finance:

(1) capital expenditures on an interim or long-term basis to acquire or improve land, acquire, construct, rehabilitate, remove, or improve buildings, or to acquire and install fixtures and equipment useful to conduct a small business, including facilities of a capital nature useful or suitable for a business engaged in an enterprise promoting employment including, without limitation, facilities included within the meaning of the term "project" as defined in sections 469.153, subdivision 2, and 469.155, subdivision 4;

(2) working capital; and

(3) intangible property, such as any patent, copyright, formula, process, design, pattern, know-how, format, or other similar item.

**History:** 1984 c 502 art 10 s 2; 1Sp1985 c 13 s 146-150; 1986 c 444; 1987 c 186 s 15; 1987 c 312 art 1 s 26 subd 2; 1987 c 386 art 9 s 2-7,20; 1988 c 615 s 1,2; 1989 c 209 art 2 s 1; 1989 c 335 art 4 s 12; 1991

*c 322 s 19; 1993 c 337 s 3; 2001 c 200 s 3; 1Sp2003 c 4 s 1; 2008 c 290 s 2; 2009 c 78 art 6 s 2; 2009 c 101 art 2 s 109*

#### **41A.021 SUCCESSOR STATUS.**

The board is the legal successor in all respects of the Minnesota Agricultural and Economic Development Board established by Laws 1984, chapter 502, article 10, and all bonds, resolutions, contracts, and liabilities of the Minnesota Agricultural and Economic Development Board are the bonds, resolutions, contracts, and liabilities of the board as renamed and reconstituted by section 41A.02, subdivision 3.

**History:** *1987 c 386 art 9 s 8,20*

#### **41A.022 MINNESOTA ENERGY AND ECONOMIC DEVELOPMENT AUTHORITY; SUCCESSOR STATUS.**

The board is the legal successor in all respects of the Minnesota Energy and Economic Development Authority under the general bond resolution for the Minnesota small business development loan program, as amended and restated by the authority on September 24, 1986. All bonds, resolutions, contracts, and liabilities of the Minnesota Energy and Economic Development Authority relating to the Minnesota small business development loan program are the bonds, resolutions, contracts, and liabilities of the Minnesota Agricultural and Economic Development Board.

**History:** *1987 c 386 art 9 s 9*

#### **41A.023 POWERS.**

In addition to other powers granted by this chapter, the board may:

- (1) sue and be sued;
- (2) acquire, hold, lease, and transfer any interest in real and personal property for its corporate purposes;
- (3) sell at public or private sale, at the price or prices determined by the board, any note, mortgage, lease, sublease, lease purchase, or other instrument or obligation evidencing or securing a loan made for the purpose of economic development, job creation, redevelopment, or community revitalization by a public agency to a business, for-profit or nonprofit organization, or an individual;
- (4) obtain insurance on its property;
- (5) obtain municipal bond insurance, letters of credit, surety obligations, or similar agreements from financial institutions;
- (6) enter into other agreements or transactions, without regard to chapter 16B or 16C, that the board considers necessary or appropriate to carry out the purposes of this chapter with federal or state agencies, political subdivisions of the state, or other persons, firms, or corporations;
- (7) establish and collect fees without regard to chapter 14 and section 16A.1285;
- (8) accept appropriations, gifts, grants, and bequests;
- (9) use money received from any source for any legal purpose or program of the board;
- (10) participate in loans for agricultural resource projects in accordance with section 41A.035;
- (11) provide small business development loans in accordance with section 41A.036; and

(12) guarantee or insure bonds or notes issued by the board.

**History:** 1987 c 386 art 9 s 10; 1988 c 580 s 1; 1996 c 305 art 3 s 6; 1998 c 386 art 2 s 18

#### **41A.0235 BOARD MEETINGS BY TELEPHONE OR OTHER ELECTRONIC MEANS.**

(a) If compliance with section 13D.02 is impractical, the Minnesota Agricultural and Economic Development Board may conduct a meeting of its members by telephone or other electronic means so long as the following conditions are met:

(1) all members of the board participating in the meeting, wherever their physical location, can hear one another and can hear all discussion and testimony;

(2) members of the public present at the regular meeting location of the board can hear clearly all discussion and testimony and all votes of members of the board and, if needed, receive those services required by sections 15.44 and 15.441;

(3) at least one member of the board is physically present at the regular meeting location; and

(4) all votes are conducted by roll call, so each member's vote on each issue can be identified and recorded.

(b) Each member of the board participating in a meeting by telephone or other electronic means is considered present at the meeting for purposes of determining a quorum and participating in all proceedings.

(c) If telephone or other electronic means is used to conduct a meeting, the board, to the extent practical, shall allow a person to monitor the meeting electronically from a remote location. The board may require the person making such a connection to pay for documented marginal costs that the board incurs as a result of the additional connection.

(d) If telephone or other electronic means is used to conduct a regular, special, or emergency meeting, the board shall provide notice of the regular meeting location, of the fact that some members may participate by telephone or other electronic means, and of the provisions of paragraph (c). The timing and method of providing notice is governed by section 13D.04.

**History:** 2005 c 163 s 52

#### **41A.03 LOAN GUARANTIES.**

Subdivision 1. **Authority for and limitation of guaranty.** Subject to the provisions of sections 41A.01 to 41A.06 and upon determination that a loan will serve the public purposes and satisfy the conditions set forth in sections 41A.01 to 41A.06, the state may guarantee and commit to guarantee against loss an amount not exceeding 90 percent, exclusive of accrued interest, of a loan for the cost of an agricultural resource project or the refunding or refinancing of a loan. The loan must be secured by the best available collateral including but not limited to a mortgage on and security interest in all real and personal property comprising the project and other collateral as provided in the loan agreement.

Subd. 2. **Limitation of loan amount.** The total principal amount of any guaranteed loan may not exceed 80 percent of the total cost of the related project as estimated by the state at the time the commitment to guarantee is made or, in the case of a refunding or refinancing loan, 80 percent of the aggregate amount of principal and interest refunded or refinanced. If the actual cost exceeds the estimate the state may, upon request of the borrower and the lender, consent to an increase of the loan by a principal amount not greater

than 80 percent of the excess cost, and may increase the guaranteed amount by not more than 90 percent of the increase in the principal amount, and accrued interest on that amount.

Subd. 3. **Required provisions.** A loan guaranty or loan agreement pertaining to any loan guaranteed by the state may provide that:

(a) Payments of principal and interest made by the borrower under the loan shall be applied by the lender to reduce the guaranteed and nonguaranteed portion of the loan on a proportionate basis, and the nonguaranteed portion shall not in any event receive preferential treatment over the guaranteed portion.

(b) A period of grace shall be allowed of not less than 60 days from a date a principal or interest payment is due, prior to the making of demand for payment pursuant to the loan guaranty, to permit adequate time for a decision on behalf of the state regarding principal and interest assistance in accordance with subdivision 4. Payment as required by the loan guaranty shall be made within 60 days after receipt by the state of written demand complying with the terms and conditions of the guaranty.

(c) The lender may not accelerate repayment of the loan or exercise other remedies available to the lender if the borrower defaults, unless (i) the borrower fails to pay a required payment of principal or interest, or (ii) the state consents in writing, or (iii) as otherwise permitted in the loan guaranty. In the event of a default, the lender may not make demand for payment pursuant to the guaranty unless the state agrees in writing that such default has materially affected the rights or security of the parties, and finds that the lender should be entitled to receive payment pursuant to the loan guaranty.

(d) If a payment of principal or interest is made by the state upon default of the borrower, the state shall be subrogated to the rights of the lender with respect to the payment.

(e) The borrower shall have promptly prepared and delivered to the state annual audited or reviewed financial statements of the project prepared by a certified public accountant according to generally accepted accounting principles.

(f) Duly authorized representatives of the state shall have access to the project site at reasonable times during construction and operation of the project.

(g) The borrower shall maintain adequate records and documents concerning the construction and operation of the project in order that representatives of the state may determine its technical and financial conditions and its compliance with environmental requirements. The records shall include the amounts of all sales and use taxes paid on personal property and services purchased for the construction and operation of the project, with tax receipts furnished by the sellers or other supporting documentation determined by the board to be satisfactory. The amounts of those taxes shall be reported to the board in the manner and at the times required by the board.

(h) The borrower shall protect and preserve at all times the project assets and other collateral securing the loan and shall assist in liquidation of collateral to minimize loss in the event of default.

(i) Orderly liquidation of assets of the project shall be provided for in the event of default, with an option on the part of the state to acquire from the lender the lender's interest in the assets pursuant to the nonguaranteed portion of the loan.

(j) The state shall be paid at or prior to the closing of the guaranteed loan a fee or fees for the loan guaranty or the commitment to guarantee the loan. The aggregate fee may not exceed one percent of the total principal amount of the guaranteed portion of the loan.

(k) The lender shall perfect and maintain the mortgage lien on the real estate and the security interest in personal property and collateral granted as security for the loan, and shall cause all other loan servicing functions to be performed which are normally required or performed by a reasonable and prudent lender with respect to a loan without a guaranty.

(l) The state shall be notified in writing without delay of (i) the date and amount of and basis for each disbursement of loan proceeds; (ii) any nonpayment of principal or interest due; (iii) any failure to honor a commitment by any person of an intended source of capital for the project; and (iv) any significant adverse changes from original cash flow projections as evidenced by reports from the borrower, or any other known evidence that the borrower might be unable to meet a future scheduled payment of principal or interest.

(m) The loan agreement shall require the borrower to establish a reserve, from the proceeds of the loan or otherwise, to be maintained with the lender or with a trustee for the holders of the borrower's obligations in cash or securities of a specified market value not less than one-half of the annual amount which would be required to amortize the entire amount of the loan over the term and at the interest rate (or at the rate of yield resulting from the interest rates) provided in the loan agreement.

(n) The agreement shall contain other terms and conditions that the board in its sole discretion determines necessary and appropriate to carry out the purposes of this chapter.

**Subd. 4. Principal and interest assistance.** The state may at any time enter into a written contract with the borrower to pay the lender, on behalf of the borrower, an amount not greater than the amount of principal and interest to become due on one or more subsequent dates, without acceleration, if the state determines that (i) the borrower is not in default in payment of principal or interest due more than 60 days prior to the date of the contract; (ii) the borrower is or may become unable to meet in full principal or interest payments, or both, which are due or to become due within a specified period; (iii) it is in the public interest to permit the borrower to continue to pursue the purposes of the project; (iv) the probable net financial loss to the state will be less than that which would result in the event of a default; (v) the borrower is obligated by the contract to reimburse the state for all principal or interest advanced, with interest on those amounts, upon terms and conditions satisfactory to the state; and (vi) funds are available for allocation to the account established for the project in the guaranty fund, and are continuously allocated to the account in accordance with the provisions of section 4, subdivision 3, in an amount equal to the amount of interest on the advances until actually reimbursed to the state by the borrower. All sums so advanced and interest on those amounts shall be secured by the mortgage lien and security interest granted by the loan agreement, but none of the advances shall thereafter be repaid to the state until and unless all principal and interest currently due on the loan has been fully paid. In the event of subsequent default by the borrower, acceleration by the lender, and payment by the state of the full amount due under the loan guaranty, the state shall be subrogated to the rights of the lender with respect to the principal paid by it under the contract. Upon payment of the loan in full, with accrued interest, the remaining amount of the advances and interest on the advances may be paid to the state.

**Subd. 5. Limitation on liability.** The liability of the state for loan guaranties or bonds authorized under this chapter is limited to the amount of funds appropriated to the guaranty fund pursuant to section 41A.06. The legislature intends not to appropriate money from the general fund to the guaranty fund, other than the sales and use taxes from a project as provided for in section 41A.06, subdivision 4. The loan guaranties or bonds are not a general obligation or debt of the state.

**History:** 1984 c 502 art 10 s 3; 1Sp1985 c 13 s 151-153; 1990 c 610 art 2 s 2

**41A.035 AGRICULTURAL RESOURCES LOAN PARTICIPATION.**

The board may participate in loans made to finance agricultural resource projects by purchasing from a lender up to 75 percent of the amount of each eligible loan. If the loan participated in is for \$500,000 or less, the loan may be for 100 percent of the cost of the project. If the loan participated in exceeds \$500,000, the loan may not exceed 80 percent of the cost of the project. The lender shall service the loan or cause it to be serviced in a manner that equally protects the lender's and the board's interests.

**History:** 1987 c 386 art 9 s 11

**41A.036 SMALL BUSINESS DEVELOPMENT LOANS.**

Subdivision 1. **Loans; limitations.** (a) The board may make, purchase, or participate with financial institutions in making or purchasing small business development loans not exceeding \$1,000,000 in principal amount with respect to small business loans made or purchased by the board and not exceeding \$1,000,000 principal amount with respect to the board's share when the board participates in making or purchasing small business loans.

(b) With respect to loans that the board makes or purchases or participates in, the board may determine or provide for their servicing, the percentage of board participation, if any, the times the loans or participations are payable and the amounts of payment, their amount and interest rates, their security, if any, and other terms, conditions, and provisions necessary or convenient in connection with them and may enter into all necessary contracts and security instruments in connection with them. The board may enter into commitments to purchase or participate with financial institutions or other persons upon the terms, conditions, and provisions determined by it. Loans or participations may be serviced by financial institutions or other persons designated by the board.

(c) The board shall obtain the best available security for all loans. The board may provide for or require the insurance or guaranteeing of the loans or board participations in whole or in part by the federal government or a department, agency, or instrumentality of it, by an appropriate board account, or by a private insurer.

Subd. 2. **Small business development loans; preferences.** The following eligible small businesses have preference among all business applicants for small business development loans:

(1) businesses located in rural areas of the state that are experiencing the most severe unemployment rates in the state;

(2) businesses that are likely to expand and provide additional permanent employment in rural areas of the state, or enhance the quality of existing jobs in those areas;

(3) businesses located in border communities that experience a competitive disadvantage due to location;

(4) businesses that have been unable to obtain traditional financial assistance due to a disadvantageous location, minority ownership, or other factors rather than due to the business having been considered a poor financial risk;

(5) businesses that utilize state resources and reduce state dependence on outside resources, and that produce products or services consistent with the long-term social and economic needs of the state; and

(6) businesses located in border city enterprise zones, as described in section 469.166.

Subd. 3. **Local governmental unit sponsor; resolution.** A business applying for a loan must be sponsored by a resolution of the governing body of the local governmental unit within whose jurisdiction the project



is located. For purposes of this paragraph, "local governmental unit" means a home rule charter or statutory city when the project is located in an incorporated area, a county when the project is located in an unincorporated area, or an American Indian tribal council when the project is located within a federally recognized American Indian reservation or community.

Subd. 4. **Exemption from limitation.** If the board determines that an eligible small business is eligible for special assistance, the \$1,000,000 limitation established in subdivision 1 does not apply.

Subd. 5. **Designation; criteria.** An eligible small business is not eligible to receive special assistance unless the board has passed a resolution designating the eligible small business as being in need of special assistance. The resolution must include findings that the designation and receipt of the special assistance will be of exceptional benefit to the state of Minnesota in that at least three of the following criteria are met:

(1) to expand or remain in Minnesota, the eligible small business has demonstrated that it cannot obtain suitable financing from other sources;

(2) special assistance will enable an eligible small business not currently located in Minnesota to locate a facility in Minnesota that directly increases the number of jobs in the state;

(3) the eligible small business will create or retain significant numbers of jobs in a Minnesota community;

(4) the eligible small business has a significant potential for growth in jobs or economic activities in Minnesota during the ensuing five-year period; and

(5) the eligible small business will maintain a significant level of productivity in Minnesota during the ensuing five-year period.

Subd. 6. [Repealed, 1988 c 615 s 7]

**History:** 1987 c 386 art 9 s 12; 1988 c 615 s 3-5; 2003 c 128 art 13 s 3; 2009 c 78 art 6 s 3,4; 2012 c 294 art 2 s 2

#### **41A.04 APPLICATION AND APPROVAL.**

Subdivision 1. **Requirements.** (a) Any applicant may file a written application with the state commissioner of employment and economic development on behalf of the board, to be considered by the board, for a guaranty by the state of a portion of a loan or for issuance of bonds for an agricultural resource project. In general, the application must provide information similar to that required by an investment banking or other financial institution considering such a project for debt financing. Specifically, each application must include in brief but precise form the following information, as supplied by the applicant, the borrower, or the lender:

(1) a description of the scope, nature, extent, and location of the proposed project, including the identity of the borrower and a preliminary or conceptual design of the project;

(2) a description of the technology to be used in the project and the prior construction and operating experience of the borrower with such projects;

(3) a detailed estimate of the items comprising the total cost of the project, including escalation and contingencies, with explanation of the assumptions underlying the estimate;

(4) a general description of the financial plan for the project, including the mortgage and security interests to be granted for the security of the guaranteed loan or the bonds, and all sources of equity, grants, or

contributions or of borrowing the repayment of which is not to be secured by the mortgage and security interests, or, if so secured, is expressly subordinated to the guaranteed loan;

(5) an environmental report analyzing potential environmental effects of the project, any necessary or proposed mitigation measures, and other relevant data available to the applicant to enable the board to make an environmental assessment;

(6) a list of applications to be filed and estimated dates of approvals of permits required by federal, state, and local government agencies as conditions for construction and commencement of operation of the project;

(7) an estimated construction schedule;

(8) an analysis of the estimated cost of production of and market for the product, including economic factors justifying the analysis and proposed and actual marketing contracts, letters of intent, and contracts for the supply of feedstock;

(9) a description of the management experience of the borrower in organizing and undertaking similar projects;

(10) pro forma cash flow statements for the first five years of project operation including income statements and balance sheets;

(11) a description of the borrower's organization and, where applicable, a copy of its articles of incorporation or partnership agreement and bylaws;

(12) the estimated amount of the loan or bonds and percentage of the guaranty requested, the proposed repayment schedule, and other terms and conditions and security provisions of the loan;

(13) an estimate of the amounts and times of receipt of guaranty fees, sales and use taxes, property tax increments, and any other governmental charges which may be available for the support of the agricultural development fund as a result of the construction of the project, with an analysis of the assumptions on which the estimate is based;

(14) a copy of any lending commitment issued by a lender to the borrower;

(15) a statement from the lender, if identified, as to its general experience in financing and servicing debt incurred for projects of the size and general type of the project, and its proposed servicing and monitoring plan; and

(16) additional information required by the board.

(b) If the application is made by an applicant other than the county or rural development finance authority and tax increment financing is to be used for the project, the application must include a copy of a resolution adopted by the governing body of the county or rural development finance authority in which the project is located. The resolution must authorize the use of tax increment financing for the project as required by section 41A.06, subdivision 5.

**Subd. 2. Environmental assessment.** Notwithstanding any other law or rule, no environmental impact statement must be completed prior to the approval of an application and the issuance of a conditional commitment for the guaranty of a loan for an agricultural resource project, or the taking of any other action permitted by sections 41A.01 to 41A.09, including the issuance of bonds, which is considered necessary or desirable by the board to prepare for a final commitment and to make it effective. Environmental review, to the extent required by law, shall be made in conjunction with the issuance by state agencies of

environmental permits for the project. Permits may be applied for prior to the issuance of a conditional commitment. Action shall be taken as expeditiously as possible on environmental review and all permits required. Environmental review shall be completed within 180 days after the initial filing of an application to the Pollution Control Agency for the first permit. Final action shall be taken on permits within 90 days after completion of environmental review or, as to any permit requiring a public hearing, within 90 days after the receipt of the administrative law judge's report.

**Subd. 3. Commitment.** The commissioner of employment and economic development on behalf of the board shall determine as to each project for which an application is submitted whether it appears in the commissioner's judgment to conform to the requirements of this chapter. The board may waive any of the application requirements in subdivision 1 if it determines in its sole discretion that the waiver of the requirements is necessary or appropriate to carry out the purposes of this chapter. The board may not waive the requirements of subdivision 1, paragraph (c). In evaluating applications the board shall consider the extent to which the public subsidies sought by the applicant under the program would provide the project with an unfair advantage in competing with other products produced or processed in Minnesota. It may but need not adopt rules setting forth criteria for evaluating applications for loan guaranties. Upon determination by the board that a project conforms to the requirements of this chapter, it may by resolution make on behalf of the state a conditional commitment to guarantee a portion of the proposed loan or to issue bonds as it determines, not exceeding the limitations set forth in section 41A.03. No action is allowable under section 116B.03, subdivision 1, with respect to acts of any person authorized or required in order to execute the resolution. The commitment is not binding upon the state unless the board has executed on behalf of the state a final loan guaranty instrument in conformity with section 41A.03 or has issued bonds.

**Subd. 4. Rulemaking authority.** In order to effectuate the purposes of sections 41A.01 to 41A.09, the board shall adopt rules which are subject to the provisions of chapter 14.

**History:** 1984 c 502 art 10 s 4; 1984 c 640 s 32; 1Sp1985 c 13 s 154-156; 1987 c 312 art 1 s 26 subd 2; 1987 c 386 art 9 s 13; 1993 c 337 s 4,5; 1996 c 305 art 2 s 5; 2001 c 200 s 3; 1Sp2003 c 4 s 1

#### **41A.05 MINNESOTA AGRICULTURAL AND ECONOMIC DEVELOPMENT ACCOUNT AND BONDS.**

**Subdivision 1. Establishment of account.** The Minnesota agricultural and economic development account is established in the special revenue fund and may be invested by the state Board of Investment. All money appropriated to the account, and all guaranty fees, retail sales taxes, property tax increments, and other money from any source may be credited to the account and are appropriated to the board to carry out the purposes of this chapter. The board may maintain or establish within the Minnesota agricultural and economic development account reserve accounts, project accounts, trustee accounts, special guaranty fund accounts, or other restrictions it determines necessary or appropriate. The board may enter into pledge and escrow agreements or indentures of trust with a trustee for the purpose of maintaining the accounts.

**Subd. 2. Issuance of bonds.** (a) The board by resolution may exercise the powers of a rural development authority under sections 469.142 to 469.151 and the powers of a municipality under sections 469.152 to 469.165 for the purposes of financing one or more projects, including the issuance of bonds and the application of the bond proceeds and investment income pursuant to a lease, loan, loan guaranty, loan participation, or other agreement. The bonds must be issued, sold, and secured on the terms and conditions and in the manner determined by resolution of the board. Notwithstanding subdivision 1, a reserve established for the bonds provided by the borrower, including out of bond proceeds, may be deposited and held in a separate account in the Minnesota agricultural and economic development account and applied to the last installments of principal or interest on the bonds, subject to the reserves being withdrawn for any purpose permitted by

subdivision 1. The board may by resolution or indenture pledge any or all amounts in the fund, including any reserves and investment income on amounts in the fund, to secure the payment of principal and interest on any or all series of bonds, upon the terms and conditions as provided in the resolution or indenture. To the extent the board deems necessary or desirable to prevent interest on bonds from becoming subject to federal income taxation, (1) the amounts in the fund shall be invested in obligations or securities with restricted yields; and (2) the investment income on the amounts are released from the pledge securing the bonds or loan guaranty and appropriately applied to prevent taxation.

(b) Bonds issued pursuant to this chapter are not general obligations of the state or the board. The full faith and credit and taxing powers of the state and the board are not and may not be pledged for the payment of the bonds. No person may compel the levy of a tax for the payment or compel the appropriation of money of the state or the board for the payment of the bonds, except as specifically provided in this chapter.

(c) For purposes of sections 474A.01 to 474A.21, the board is a local issuer and may apply for allocations of authority to issue private activity obligations and may enter into an agreement for the issuance of obligations by another issuer.

Subd. 3. **Covenant.** In fulfillment of the state's covenant with the beneficiary of each loan guaranty executed by the board on behalf of the state pursuant to the agricultural resource loan guaranty program, in accordance with section 41A.04, subdivision 3, the state will not limit or alter the rights vested in the board to comply with the terms of the loan guaranties.

Subd. 4. **Income tax exemption.** In the issuance of state bonds and the making of loan guaranties for the purposes of the program, the commissioner of management and budget and the board may and shall make all provisions and do or cause to be done all acts and things, consistent with sections 41A.01 to 41A.06, which are or may be effective under federal laws and regulations to comply with conditions for the exemption of interest on such bonds from federal income taxation. However, if for any reason, whether existing at the date of issue of any bonds or the date of execution of any loan guaranty or thereafter, the interest on any such bonds shall be or become subject to federal income taxes, this shall not impair or affect the validity of the bonds or of any loan guaranty or the provisions made for the security thereof, and shall not impair or affect the covenant made by the state in subdivision 3. Nothing herein affects the federal or state income tax treatment of interest on obligations of a borrower other than the state, whether or not guaranteed by the state.

Subd. 5. **Guaranty fund; reduction.** Amounts in the guaranty fund may be transferred to the general fund if the remaining amount in the fund exceeds the principal amount and one year's interest on the outstanding bonds and the guaranteed portion of outstanding guaranteed loans.

**History:** 1984 c 502 art 10 s 5; 1Sp1985 c 13 s 157-160; 1987 c 291 s 193; 1987 c 384 art 2 s 9; art 3 s 23; 1987 c 386 art 9 s 14,15; 1989 c 335 art 4 s 13,106; 1990 c 594 art 3 s 2; 1994 c 465 art 2 s 4; 2009 c 101 art 2 s 109

**41A.051** [Repealed, 1992 c 513 art 4 s 60]

#### **41A.06 PROJECT TAXES AND OTHER CHARGES.**

Subdivision 1. **Appropriation.** The payments, taxes, and governmental charges described in this section which are received as a consequence of the undertaking, completion, and operation of each agricultural resource loan project for which a loan guaranty is made by the state are appropriated to the loan guaranty fund. This appropriation shall not lapse at the close of any fiscal year under the provisions of section 16A.28, and the receipts from the appropriation shall remain available as provided in section 41A.05, subdivision 1.

The state is not obligated, however, to continue the appropriation with respect to charges not yet collected, except to the extent determined to be necessary for compliance with the terms of the loan guaranty agreement.

**Subd. 2. Allocation to project accounts.** Receipts of charges related to a particular project shall be deposited and recorded in its project account in the guaranty fund; but the board may reallocate receipts in any project account which cause the amount held in the account to exceed the minimum balance established initially pursuant to section 41A.04, subdivision 3, clause (2). The reallocation may be made to another project account for the purpose of maintaining the minimum balance in the account.

**Subd. 3. Payments by borrowers.** Guaranty and commitment fees paid by borrowers pursuant to the loan guaranty provision required by section 41A.03, subdivision 3, clause (j), and repayments by borrowers of amounts advanced by the state under contracts referred to in section 41A.03, subdivision 4, shall be deposited in the project account for the borrower's project and shall not be disbursed or transferred for any purpose other than the fulfillment of the state's obligations under the loan guaranty for that project. Funds may be transferred out of the account if the minimum required balance in the project account is maintained and exceeds the aggregate amount of fees and payments previously received from the borrower plus interest received from the investment thereof.

**Subd. 4. Sales and use taxes.** All collections of the excise taxes imposed by chapter 297A upon retail sales, and upon the privilege of use, storage, or consumption in Minnesota, of personal property and services purchased for the construction or operation of any project for which a loan guaranty has been made or conditionally committed, less any refunds required by law and a proportionate share of the cost of administration and enforcement of the assessment and collection of the taxes, are appropriated and shall be deposited from the general fund into the project account in the guaranty fund at least once each year from and after the date of the conditional commitment. The commissioner of management and budget shall secure from each borrower the amount of taxes so imposed and from the commissioner of revenue the amount of refunds or costs to be deducted from them.

**Subd. 5. Property tax increments.** If tax increment financing is to be used for the project, the applicant for a loan guaranty or bonds for any project, and the county in which the project is situated, shall do all acts and things necessary for the computation and segregation of property tax increments resulting from the construction of the project in accordance with the provisions of section 469.149, and for the remittance to the commissioner of management and budget, for deposit in the loan guaranty fund, of all tax increments received from and after the date of the conditional commitment for the loan guaranty. If the project account contains an amount equal to the average annual payment of principal and interest on the bonds or for the guaranteed portion of a guaranteed loan, the board must annually return the excess tax increment to be distributed as provided by section 469.176, subdivision 2, clause (4), until the increment has been discharged under the agreement or section 469.149.

**History:** 1984 c 502 art 10 s 6; 1Sp1985 c 13 s 161,162; 1987 c 291 s 194; 2009 c 101 art 2 s 109

**41A.065** [Repealed, 1993 c 177 s 15]

**41A.066** [Repealed, 2001 c 200 s 4]

**41A.07** [Repealed, 1993 c 337 s 20]

#### **41A.08 STAFF.**

**Subdivision 1. Employees.** Subject to all other applicable laws governing employees of or employment by a department or agency of the state, the commissioner of employment and economic development, on behalf of the board, may retain or employ the officers, employees, agents, contractors, and consultants the

commissioner determines necessary or appropriate to discharge the functions of the board in respect to the agricultural resource loan program. The commissioner shall define their duties and responsibilities.

Subd. 2. **Executive director.** The commissioner shall employ, with the concurrence of the board, an executive director. The executive director shall perform the duties that the board may require in carrying out its responsibilities. The executive director's position is in the unclassified service.

**History:** *1Sp1985 c 13 s 163; 1987 c 312 art 1 s 26 subd 2; 1987 c 386 art 9 s 17; 1Sp2003 c 4 s 1*

#### 41A.09 ETHANOL DEVELOPMENT.

Subdivision 1. [Repealed, 2003 c 128 art 3 s 47]

Subd. 1a. MS 2012 [Repealed, 2011 c 14 s 16]

Subd. 2. [Repealed, 1995 c 220 s 141]

Subd. 2a. **Definitions.** For the purposes of this section, the terms defined in this subdivision have the meanings given them.

(a) "Ethanol" means fermentation ethyl alcohol derived from agricultural products, including potatoes, cereal grains, cheese whey, and sugar beets; forest products; or other renewable resources, including residue and waste generated from the production, processing, and marketing of agricultural products, forest products, and other renewable resources, that:

(1) meets all of the specifications in ASTM specification D4806-04a; and

(2) is denatured as specified in Code of Federal Regulations, title 27, parts 20 and 21.

(b) "Ethanol plant" means a plant at which ethanol is produced.

(c) "Commissioner" means the commissioner of agriculture.

(d) "Rural economic infrastructure" means the development of activities that will enhance the value of agricultural crop or livestock commodities or by-products or waste from farming operations through new and improved value-added conversion processes and technologies, the development of more timely and efficient infrastructure delivery systems, and the enhancement of marketing opportunities. "Rural economic infrastructure" also means land, buildings, structures, fixtures, and improvements located or to be located in Minnesota and used or operated primarily for the processing or the support of production of marketable products from agricultural commodities or wind energy produced in Minnesota.

Subd. 3. [Repealed, 1995 c 220 s 141]

Subd. 3a. MS 2012 [Repealed, 2011 c 14 s 16]

Subd. 4. MS 2012 [Repealed, 2011 c 14 s 16]

Subd. 5. [Repealed, 1995 c 220 s 141]

Subd. 5a. [Repealed, 2003 c 128 art 3 s 47]

Subd. 6. [Repealed, 2003 c 128 art 3 s 47]

Subd. 7. [Repealed, 2003 c 128 art 3 s 47]

Subd. 8. [Repealed, 2003 c 128 art 3 s 47]

Subd. 9. [Repealed, 2007 c 45 art 1 s 66]

Subd. 10. MS 2012 [Repealed, 2011 c 14 s 16]

**History:** *1Sp1986 c 1 art 8 s 1; 1987 c 390 s 1,2; 1988 c 688 art 18 s 1; 1989 c 257 s 1,2; 1989 c 269 s 37; 1989 c 277 art 1 s 2; 1989 c 335 art 4 s 106; 1991 c 254 art 3 s 21; 1991 c 302 s 1; 1992 c 513 art 2 s 18; 1992 c 575 s 1,2; 1993 c 13 art 1 s 52; 1993 c 172 s 30,31; 1993 c 366 s 2; 1994 c 632 art 2 s 15-17; 1995 c 220 s 45-48; 1996 c 471 art 5 s 1; 1997 c 7 art 5 s 8; 1997 c 216 s 57; 1998 c 299 s 30; 1998 c 401 s 19,20; 2000 c 488 art 3 s 11; 1Sp2001 c 4 art 6 s 77; 2002 c 220 art 9 s 6; 2002 c 379 art 1 s 14; 2003 c 107 s 26; 2003 c 128 art 3 s 37,38; 1Sp2003 c 14 art 7 s 1; 2004 c 254 s 13; 1Sp2005 c 1 art 1 s 69-72; art 4 s 2; 2008 c 297 art 1 s 20; 2008 c 363 art 7 s 5; 2009 c 94 art 1 s 82; 2011 c 107 s 99*

**41A.10** MS 2012 [Expired, 2013 c 114 art 2 s 45]

**41A.105** [Expired, 2013 c 114 art 2 s 48]

#### **41A.11 TWENTY-FIVE BY TWENTY-FIVE GOAL.**

It is the goal of the state that no later than January 1, 2025, the state's agricultural, forestry, and working land should provide from renewable resources not less than 25 percent of the total energy consumed in this state while continuing to produce safe, abundant, and affordable food, feed, and fiber.

**History:** *2007 c 45 art 1 s 48*

#### **41A.12 AGRICULTURAL GROWTH, RESEARCH, AND INNOVATION PROGRAM.**

Subdivision 1. **Establishment.** The agricultural growth, research, and innovation program is established in order to promote the advancement of the state's agricultural and renewable energy industries.

Subd. 2. **Activities authorized.** For the purposes of this program, the commissioner may issue grants, loans, or other forms of financial assistance. Eligible activities include, but are not limited to, grants to livestock producers under the livestock investment grant program under section 17.118, bioenergy awards, cost-share grants for the installation of biofuel blender pumps, and financial assistance to support other rural economic infrastructure activities.

Subd. 3. **Oversight.** The commissioner, in consultation with the chairs and ranking minority members of the house of representatives and senate committees with jurisdiction over agriculture finance, must allocate available funds among eligible uses, develop competitive eligibility criteria, and award funds on a needs basis. By February 1 each year, the commissioner shall report to the legislature on the allocation among eligible uses and any financial assistance provided under this section.

Subd. 3a. **Grant awards.** Grant projects may continue for up to three years. Multiyear projects must be reevaluated by the commissioner before second- and third-year funding is approved. A project is limited to one grant for its funding.

Subd. 4. **Sunset.** This section expires on June 30, 2025.

**History:** *2009 c 94 art 1 s 83; 2012 c 244 art 1 s 43,44; 2013 c 114 art 2 s 49,50; 2015 c 44 s 21; 2016 c 158 art 1 s 13; 2016 c 189 art 2 s 10*

**41A.14 AGRICULTURE RESEARCH, EDUCATION, EXTENSION, AND TECHNOLOGY TRANSFER GRANT PROGRAM.**

Subdivision 1. **Duties; grants.** The agriculture research, education, extension, and technology transfer grant program is created. The purpose of the grant program is to provide investments that will most efficiently achieve long-term agricultural productivity increases through improved infrastructure, vision, and accountability. The scope and intent of the grants, to the extent possible, shall provide for long-term base funding that allows the grantee to continue the functions of the research, education, extension, and technology transfer efforts to a practical conclusion. Priority for grants shall be given to human infrastructure. The commissioner shall provide grants for:

(1) agricultural research, extension, and technology transfer needs at the University of Minnesota for use by any of the following:

- (i) the College of Food, Agricultural and Natural Resource Sciences;
- (ii) the Minnesota Agricultural Experiment Station;
- (iii) the University of Minnesota Extension Service;
- (iv) the University of Minnesota Veterinary School;
- (v) the Veterinary Diagnostic Laboratory; or
- (vi) the Stakman-Borlaug Center;

(2) agriculture rapid response for plant and animal diseases and pests; and

(3) agricultural education including but not limited to the Minnesota Agriculture Education Leadership Council, farm business management, mentoring programs, graduate debt forgiveness, and high school programs.

Subd. 2. **Advisory panel.** (a) In awarding grants under this section, the commissioner and a representative of the College of Food, Agricultural and Natural Resource Sciences at the University of Minnesota must consult with an advisory panel consisting of the following stakeholders:

- (1) a representative of the Minnesota State Colleges and Universities system;
- (2) a representative of the Minnesota Farm Bureau;
- (3) a representative of the Minnesota Farmers Union;
- (4) a person representing agriculture industry statewide;
- (5) a representative of each of the state commodity councils organized under section 17.54 and the Minnesota Pork Board;
- (6) a person representing an association of primary manufacturers of forest products;
- (7) a person representing organic or sustainable agriculture; and
- (8) a person representing statewide environment and natural resource conservation organizations.

(b) Members under paragraph (a), clauses (1) to (3) and (5), shall be chosen by their respective organizations.



Subd. 3. **Account.** An agriculture research, education, extension, and technology transfer account is created in the agricultural fund in the state treasury. The account consists of money received in the form of gifts, grants, reimbursement, or appropriations from any source for any of the purposes provided in subdivision 1, and any interest or earnings of the account. Money in the account is appropriated to the commissioner of agriculture for the purposes under subdivision 1.

**History:** *1Sp2015 c 4 art 2 s 56; 2016 c 184 s 7; 2016 c 189 art 2 s 11*

#### 41A.15 DEFINITIONS.

Subdivision 1. **Scope.** For the purposes of sections 41A.15 to 41A.18, the terms defined in this section have the meanings given them.

Subd. 2. **Advanced biofuel.** "Advanced biofuel" has the meaning given in section 239.051, subdivision 1a.

Subd. 2a. **Biobased content.** "Biobased content" means 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.

Subd. 2b. **Biobased formulated product.** "Biobased formulated product" means a product that is not sold primarily for use as food, feed, or fuel and that has a biobased content percentage of at least ten percent as determined by testing representative samples using American Society for Testing and Materials specification D6866, or that contains a biobased chemical constituent that displaces a known hazardous or toxic constituent previously used in the product formulation.

Subd. 2c. **Biobutanol.** "Biobutanol" means fermentation isobutyl alcohol that is derived from agricultural products, including potatoes, cereal grains, cheese whey, and sugar beets; forest products; or other renewable resources, including residue and waste generated from the production, processing, and marketing of agricultural products, forest products, and other renewable resources.

Subd. 2d. **Biobutanol facility.** "Biobutanol facility" means a facility at which biobutanol is produced.

Subd. 3. **Biomass thermal production.** "Biomass thermal production" means the generation of energy for commercial heat or industrial process heat from a cellulosic material or other material composed of forestry or agricultural feedstocks for a new or expanding capacity facility or a facility that is displacing existing use of fossil fuel after July 1, 2015.

Subd. 4. **Cellulosic biomass.** "Cellulosic biomass" means material primarily made up of cellulose, hemicellulose, or lignin, or a combination of those ingredients.

Subd. 5. **Cellulosic sugar.** "Cellulosic sugar" means sugar derived from cellulosic biomass from agricultural or forestry resources.

Subd. 6. **Commissioner.** "Commissioner" means the commissioner of agriculture.

Subd. 7. **Cover crops.** "Cover crops" means grasses, legumes, forbs, or other herbaceous plants that are known to be noninvasive and not listed as a noxious weed in Minnesota and that are either interseeded into living cash crops or planted on agricultural fields during fallow periods for seasonal cover and conservation purposes.

Subd. 8. **MMbtu.** "MMbtu" means 1,000,000 British thermal units.

Subd. 9. **Perennial crops.** "Perennial crops" means agriculturally produced plants that are known to be noninvasive and not listed as a noxious weed in Minnesota and that have a life cycle of at least three years at the location where the plants are being cultivated. Biomass from alfalfa produced in a two-year rotation shall be considered a perennial crop.

Subd. 9a. **Quarterly.** "Quarterly" means any of the following three-month intervals in a calendar year: January through March, April through June, July through September, or October through December.

Subd. 10. **Renewable chemical.** "Renewable chemical" means a chemical with biobased content.

**History:** *1Sp2015 c 4 art 2 s 57; 2016 c 158 art 1 s 14; 2016 c 189 art 2 s 12-17*

#### 41A.16 ADVANCED BIOFUEL PRODUCTION INCENTIVE.

Subdivision 1. **Eligibility.** (a) A facility eligible for payment under this section must source at least 80 percent raw materials from Minnesota. If a facility is sited 50 miles or less from the state border, raw materials may be sourced from within a 100-mile radius. Raw materials must be from agricultural or forestry sources or from solid waste. The facility must be located in Minnesota, must begin production at a specific location by June 30, 2025, and must not begin operating above 23,750 MMBtu of quarterly biofuel production before July 1, 2015. Eligible facilities include existing companies and facilities that are adding advanced biofuel production capacity, or retrofitting existing capacity, as well as new companies and facilities. Production of conventional corn ethanol and conventional biodiesel is not eligible. Eligible advanced biofuel facilities must produce at least 23,750 MMBtu of biofuel quarterly.

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

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

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

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

(f) Biobutanol is eligible under this section.

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

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

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

**Subd. 3. Perennial and cover crops required.** To be eligible for payment under this section, a producer that produces advanced biofuel from agricultural cellulosic biomass other than corn kernel fiber or biogas must derive at least the following portions of the producer's total eligible MMBtus from perennial crop or cover crop biomass:

- (1) ten percent during the first two years of eligible production;
- (2) 30 percent during the third and fourth years of eligible production; and
- (3) 50 percent during the fifth through tenth years of eligible production.

**Subd. 4. Cellulosic forestry biomass requirements.** All forestry-derived cellulosic biomass must be produced using Minnesota state biomass harvesting guidelines or the equivalent. All biomass from brushlands must be produced using Minnesota brushland harvesting biomass harvest guidelines or the equivalent. Forestry-derived cellulosic biomass that comes from land parcels greater than 160 acres must be certified by the Forest Stewardship Council, Sustainable Forestry Initiative, or American Tree Farm System. Uncertified land from parcels of 160 acres or less and federal land must be harvested by a logger who has completed training for biomass harvesting from the Minnesota logger education program or the equivalent and have a forest stewardship plan.

**Subd. 5. Agricultural cellulosic biomass sourcing plan.** (a) An eligible producer who utilizes agricultural cellulosic biomass must submit a responsible biomass sourcing plan for approval by the commissioner prior to applying for payments under this section. The commissioner shall make the plan publicly available. The plan must:

- (1) provide a detailed explanation of how agricultural cellulosic biomass will be produced and managed in a way that preserves soil quality, does not increase soil and nutrient runoff, avoids introduction of harmful invasive species, limits negative impacts on wildlife habitat, and reduces greenhouse gas emissions;
- (2) include the producer's approach to verifying that biomass suppliers are following the plan;
- (3) discuss how new technologies and practices that are not yet commercially viable may be encouraged and adopted during the life of the facility, and how the producer will encourage continuous improvement during the life of the project;
- (4) include specific numeric goals and timelines for making progress;
- (5) require agronomic practices that result in a positive Natural Resources Conservation Service Soil Conditioning Index score for acres from which biomass from corn stover will be harvested; and
- (6) include biennial soil sampling to verify maintained or increased levels of soil organic matter.

(b) An eligible producer who utilizes agricultural cellulosic biomass and receives payments under this section shall submit an annual report on the producer's responsible biomass sourcing plan to the commissioner by January 15 each year. The report must include data on progress made by the producer in meeting specific goals laid out in the plan. The commissioner shall make the report publicly available. The commissioner shall perform an annual review of submitted reports and may make a determination that the producer is not following the plan based on the reports submitted. The commissioner may take appropriate steps, including reducing or ceasing payments, until the producer is in compliance with the plan.

**Subd. 6. Claims.** (a) By the last day of October, January, April, and July, each eligible biofuel producer shall file a claim for payment for advanced biofuel production during the preceding three calendar months. An eligible biofuel producer that files a claim under this subdivision shall include a statement of the eligible

biofuel producer's total advanced biofuel production in Minnesota during the quarter covered by the claim. For each claim and statement of total advanced biofuel production filed under this subdivision, the volume of advanced biofuel production must be examined by a CPA firm with a valid permit to practice under chapter 326A, in accordance with Statements on Standards for Attestation Engagements established by the American Institute of Certified Public Accountants.

(b) The commissioner must issue payments by November 15, February 15, May 15, and August 15. A separate payment must be made for each claim filed.

**History:** *1Sp2015 c 4 art 2 s 58; 2016 c 189 art 2 s 18*

#### **41A.17 RENEWABLE CHEMICAL PRODUCTION INCENTIVE.**

Subdivision 1. **Eligibility.** (a) A facility eligible for payment under this program must source at least 80 percent biobased content from Minnesota. If a facility is sited 50 miles or less from the state border, biobased content must be sourced from within a 100-mile radius. Biobased content must be from agricultural or forestry sources or from solid waste. The facility must be located in Minnesota, must begin production at a specific location by June 30, 2025, and must not begin production of 750,000 pounds of chemicals quarterly before January 1, 2015. Eligible facilities include existing companies and facilities that are adding production capacity, or retrofitting existing capacity, as well as new companies and facilities. Eligible renewable chemical facilities must produce at least 750,000 pounds of renewable chemicals quarterly. Renewable chemicals produced through processes that are fully commercial before January 1, 2000, are not eligible.

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

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

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

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

Subd. 2. **Payment amounts; bonus; limits.** (a) The commissioner shall make payments to eligible producers of renewable chemicals located in the state. The amount of the payment for each producer's annual production is \$0.03 per pound of sugar-derived renewable chemical, \$0.03 per pound of cellulosic sugar, and \$0.06 per pound of cellulosic-derived renewable chemical produced at a specific location for ten years after the start of production.

(b) An eligible facility producing renewable chemicals using agricultural cellulosic biomass is eligible for a 20 percent bonus payment for each pound produced from agricultural biomass that is derived from perennial crop or cover crop biomass.

(c) Total payments under this section to an eligible renewable chemical producer in a fiscal year may not exceed the amount necessary for 99,999,999 pounds of renewable chemical production. Total payments under this section to all eligible renewable chemical producers in a fiscal year may not exceed the amount necessary for 599,999,999 pounds of renewable chemical production. The commissioner shall award payments on a first-come, first-served basis within the limits of available funding.

(d) For purposes of this section, an entity that holds a controlling interest in more than one renewable chemical production facility is considered a single eligible producer.

**Subd. 3. Cellulosic biomass requirements.** All forestry-derived cellulosic biomass must be produced using Minnesota state biomass harvesting guidelines or the equivalent. All cellulosic biomass from brushlands must be produced using Minnesota brushland harvesting biomass harvest guidelines or the equivalent. Forestry-derived cellulosic biomass that comes from land parcels greater than 160 acres must be certified by the Forest Stewardship Council, Sustainable Forestry Initiative, or American Tree Farm System. Uncertified land from parcels of 160 acres or less and federal land must be harvested by a logger who has completed training for biomass harvesting from the Minnesota logger education program or the equivalent and have a forest stewardship plan.

**Subd. 4. Agricultural cellulosic biomass sourcing plan.** (a) An eligible producer who utilizes agricultural cellulosic biomass must submit a responsible biomass sourcing plan to the commissioner prior to applying for payments under this section. The plan must:

(1) provide a detailed explanation of how agricultural cellulosic biomass will be produced and managed in a way that preserves soil quality, does not increase soil and nutrient runoff, avoids introduction of harmful invasive species, limits negative impacts on wildlife habitat, and reduces greenhouse gas emissions;

(2) include the producer's approach to verifying that biomass suppliers are following the plan;

(3) discuss how new technologies and practices that are not yet commercially viable may be encouraged and adopted during the life of the facility, and how the producer will encourage continuous improvement during the life of the project; and

(4) include specific numeric goals and timelines for making progress.

(b) An eligible producer who utilizes agricultural cellulosic biomass and receives payments under this section shall submit an annual report on the producer's responsible biomass sourcing plan to the commissioner by January 15 each year. The report must include data on progress made by the producer in meeting specific goals laid out in the plan. The commissioner shall make the report publicly available. The commissioner shall perform an annual review of submitted reports and may make a determination that the producer is not following the plan based on the reports submitted. The commissioner may take appropriate steps, including reducing or ceasing payments, until the producer is in compliance with the plan.

**Subd. 5. Claims.** (a) By the last day of October, January, April, and July, each eligible renewable chemical producer shall file a claim for payment for renewable chemical production during the preceding three calendar months. An eligible renewable chemical producer that files a claim under this subdivision shall include a statement of the eligible producer's total renewable chemical production in Minnesota during the quarter covered by the claim. For each claim and statement of total renewable chemical production filed under this paragraph, the volume of renewable chemical production must be examined by a CPA firm with a valid permit to practice under chapter 326A, in accordance with Statements on Standards for Attestation Engagements established by the American Institute of Certified Public Accountants.

(b) The commissioner must issue payments by November 15, February 15, May 15, and August 15. A separate payment must be made for each claim filed.

**History:** *1Sp2015 c 4 art 2 s 59; 2016 c 158 art 1 s 15; 2016 c 189 art 2 s 19,20*

**41A.18 BIOMASS THERMAL PRODUCTION INCENTIVE.**

Subdivision 1. **Eligibility.** (a) A facility eligible for payment under this section must source at least 80 percent raw materials from Minnesota. If a facility is sited 50 miles or less from the state border, raw materials should be sourced from within a 100-mile radius. Raw materials must be from agricultural or forestry sources. The facility must be located in Minnesota, must have begun production at a specific location by June 30, 2025, and must not begin before July 1, 2015. Eligible facilities include existing companies and facilities that are adding production capacity, or retrofitting existing capacity, as well as new companies and facilities. Eligible biomass thermal production facilities must produce at least 250 MMBtu of biomass thermal quarterly.

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

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

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

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

Subd. 2. **Payment amounts; bonus; limits; blending.** (a) The commissioner shall make payments to eligible producers of biomass thermal located in the state. The amount of the payment for each producer's annual production is \$5.00 per MMBtu of biomass thermal production produced at a specific location for ten years after the start of production.

(b) An eligible facility producing biomass thermal using agricultural cellulosic biomass is eligible for a 20 percent bonus payment for each MMBtu produced from agricultural biomass that is derived from perennial crop or cover crop biomass.

(c) Total payments under this section to an eligible thermal producer in a fiscal year may not exceed the amount necessary for 30,000 MMBtu of thermal production. Total payments under this section to all eligible thermal producers in a fiscal year may not exceed the amount necessary for 150,000 MMBtu of total thermal production. The commissioner shall award payments on a first-come, first-served basis within the limits of available funding.

(d) An eligible facility may blend a cellulosic feedstock with other fuels in the biomass thermal production facility, but only the percentage attributable to cellulosic material is eligible to receive payment.

(e) For purposes of this section, an entity that holds a controlling interest in more than one biomass thermal production facility is considered a single eligible producer.

Subd. 3. **Cellulosic biomass requirements.** All forestry-derived cellulosic biomass must be produced using Minnesota state biomass harvesting guidelines or the equivalent. All biomass from brushland must be produced using Minnesota brushland harvesting biomass guidelines or the equivalent. Forestry-derived cellulosic biomass that comes from land parcels greater than 160 acres must be certified by the Forest Stewardship Council, the Sustainable Forestry Initiative, or American Tree Farm. Uncertified land from parcels of 160 acres or less and federal land must be harvested by a logger who has completed training for biomass harvesting from the Minnesota logger education program or the equivalent and have a forest stewardship plan.

Subd. 4. **Agricultural cellulosic biomass sourcing plan.** (a) An eligible producer who utilizes agricultural cellulosic biomass must submit a responsible biomass sourcing plan to the commissioner prior to applying for payments under this section. The plan must:

(1) provide a detailed explanation of how agricultural cellulosic biomass will be produced and managed in a way that preserves soil quality, does not increase soil and nutrient runoff, avoids introduction of harmful invasive species, limits negative impacts on wildlife habitat, and reduces greenhouse gas emissions;

(2) include the producer's approach to verifying that biomass suppliers are following the plan;

(3) discuss how new technologies and practices that are not yet commercially viable may be encouraged and adopted during the life of the facility, and how the producer will encourage continuous improvement during the life of the project; and

(4) include specific numeric goals and timelines for making progress.

(b) An eligible producer who utilizes agricultural cellulosic biomass and receives payments under this section shall submit an annual report on the producer's responsible biomass sourcing plan to the commissioner by January 15 each year. The report must include data on progress made by the producer in meeting specific goals laid out in the plan. The commissioner shall make the report publicly available. The commissioner shall perform an annual review of submitted reports and may make a determination that the producer is not following the plan based on the reports submitted. The commissioner may take appropriate steps, including reducing or ceasing payments, until the producer is in compliance with the plan.

Subd. 5. **Claims.** (a) By the last day of October, January, April, and July, each producer shall file a claim for payment for biomass thermal production during the preceding three calendar months. A producer that files a claim under this subdivision shall include a statement of the producer's total biomass thermal production in Minnesota during the quarter covered by the claim. For each claim and statement of total biomass thermal production filed under this paragraph, the volume of biomass thermal production must be examined by a CPA firm with a valid permit to practice under chapter 326A, in accordance with Statements on Standards for Attestation Engagements established by the American Institute of Certified Public Accountants.

(b) The commissioner must issue payments by November 15, February 15, May 15, and August 15. A separate payment shall be made for each claim filed.

**History:** *1Sp2015 c 4 art 2 s 60; 2016 c 189 art 2 s 21*

#### **41A.19 REPORT; INCENTIVE PROGRAMS.**

By January 15 each year, the commissioner shall report on the incentive programs under sections 41A.16, 41A.17, and 41A.18 to the legislative committees with jurisdiction over environment and agriculture policy and finance. The report shall include information on production and incentive expenditures under the programs.

**History:** *1Sp2015 c 4 art 2 s 61*

#### **41A.20 SIDING PRODUCTION INCENTIVE.**

Subdivision 1. **Definitions.** (a) For the purposes of this section, the terms defined in this subdivision have the meanings given them.

(b) "Commissioner" means the commissioner of agriculture.

(c) "Forest resources" means raw wood logs and material primarily made up of cellulose, hemicellulose, or lignin, or a combination of those ingredients.

Subd. 2. **Eligibility.** (a) A facility eligible for payment under this section must source at least 80 percent raw materials from Minnesota. If a facility is sited 50 miles or less from the state border, raw materials may be sourced from within a 100-mile radius. Raw materials must be from forest resources. The facility must be located in Minnesota, must begin production at a specific location by June 30, 2025, and must not begin operating before July 1, 2017. Eligible facilities include existing companies and facilities that are adding siding production capacity, or retrofitting existing capacity, as well as new companies and facilities. Eligible siding production facilities must produce at least 200,000,000 siding square feet on a 3/8 inch nominal basis of siding each year.

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

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

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

Subd. 3. **Payment amounts; limits.** (a) The commissioner shall make payments to eligible producers of siding. The amount of the payment for each eligible producer's annual production is \$7.50 per 1,000 siding square feet on a 3/8 inch nominal basis of siding produced at a specific location for ten years after the start of production.

(b) Total payments under this section to an eligible siding producer in a fiscal year may not exceed the amount necessary for 400,000,000 siding square feet on a 3/8 inch nominal basis of siding produced. Total payments under this section to all eligible siding producers in a fiscal year may not exceed the amount necessary for 400,000,000 siding square feet on a 3/8 inch nominal basis of siding produced. The commissioner shall award payments on a first-come, first-served basis within the limits of available funding.

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

Subd. 4. **Forest resources requirements.** Forest resources that come from land parcels greater than 160 acres must be certified by the Forest Stewardship Council, Sustainable Forestry Initiative, or American Tree Farm System. Uncertified land from parcels of 160 acres or less and federal land must be harvested by a logger who has completed training from the Minnesota logger education program or the equivalent, and have a forest stewardship plan.

Subd. 5. **Claims.** (a) By the last day of October, January, April, and July, each eligible siding producer shall file a claim for payment for siding production during the preceding three calendar months. An eligible siding producer that files a claim under this subdivision shall include a statement of the eligible producer's total board feet of siding produced during the quarter covered by the claim. For each claim and statement of total board feet of siding filed under this subdivision, the board feet of siding produced must be examined by a certified public accounting firm with a valid permit to practice under chapter 326A, in accordance with Statements on Standards for Attestation Engagements established by the American Institute of Certified Public Accountants.

(b) The commissioner must issue payments by November 15, February 15, May 15, and August 15. A separate payment must be made for each claim filed.



Subd. 6. **Appropriation.** 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.

**History:** *2016 c 189 art 2 s 22*