

MINNESOTA'S



COVID-19 RECOVERY BUDGET



2022-2023 Budget Recommendations

Thom Petersen | Commissioner | January 27, 2021

Minnesota Department of Agriculture

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

Minnesota Department of Agriculture

Our 496 employees provide many services that impact Minnesota residents every day:

- We promote Minnesota farm and food products in local, state, national, and international markets.
- We respond to diseases and pests that threaten agriculture and natural resources.
- We inspect all grocery stores and convenience stores, as well as all dairy farms and processing plants.
- We regulate feed mills and fertilizer plants.

Minnesota Department of Agriculture

We have two main areas of responsibility:

- We are the primary state agency responsible for protecting the state's food supply and a key player in protecting the state's natural resources.
- We are the primary agency responsible for supporting and promoting the state's ag industry and economy.

Minnesota Department of Agriculture

We carry out our responsibilities through six main program areas:

- Pesticide and Fertilizer Management
- Agricultural Marketing and Development
- Plant Protection
- Dairy and Meat Inspection
- Food and Feed Safety
- Laboratory Services

Agriculture's Contributions to MN's Economy

Quick glance at Minnesota's ag industry:

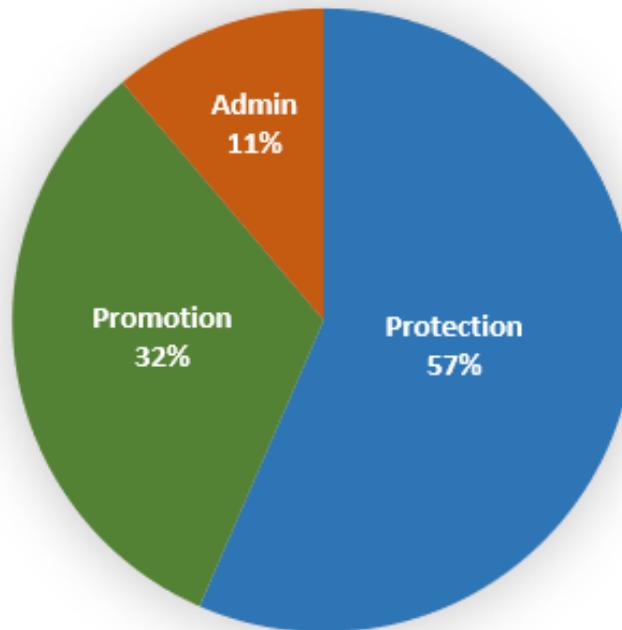
- 68,000 farms
- Generates \$112 billion in economic activity
- \$8.85 billion crop sector
- \$7.85 billion livestock sector
- Supports more than 430,000 jobs
- #1 nationally in turkeys, sugar beets
- #2 in hogs, dry beans, green peas, sweet corn
- #3 in soybeans, spring wheat, sunflowers, oats

FY2022-23 Base Budget Overview

(November 2020 Forecast)

MDA FY2022-23 Base Expenditures by Use and Budget Activity

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



Pesticide and Fertilizer Management	\$ 41.9	million
Plant Protection	\$ 19.9	million
Laboratory Services	\$ 20.0	million
Food and Feed Safety	\$ 28.1	million
Dairy and Meat Inspection	\$ 14.9	million
Agricultural Marketing and Development	\$ 17.7	million
Agricultural Advancement Programs	\$ 48.0	million
Grants and Assistance	\$ 5.5	million
Agency Services	<u>\$ 24.7</u>	million
Total	<u>\$ 220.7</u>	million

FY2022-23 Base Budget Overview

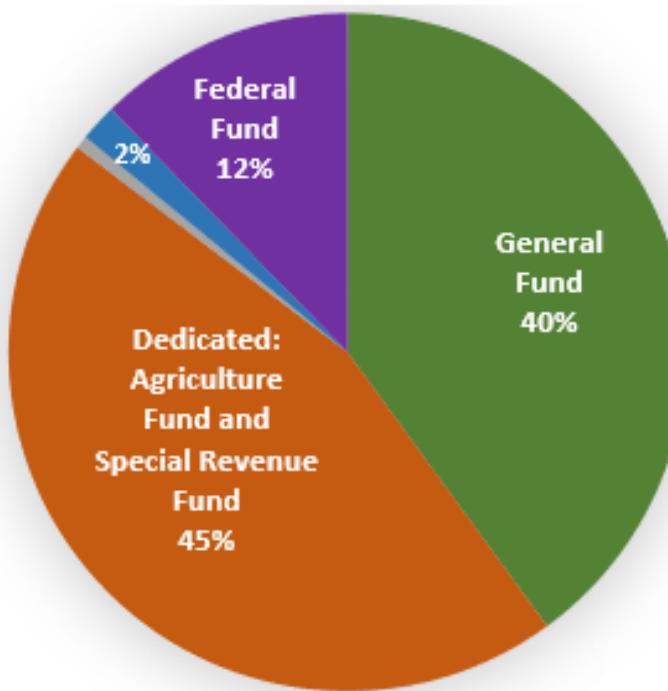
(November 2020 Forecast)

MDA FY2022-23 Base Expenditures by Fund

\$3.9 million
remediation funding

\$1.4 million
legacy funding

\$27.1 million
federal funding



\$88.3 million
general fund

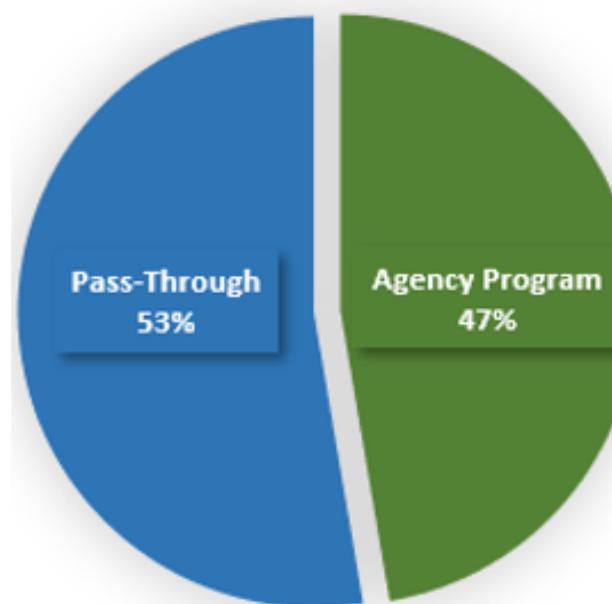
\$100.1 million
fees paid by customers

FY2022-23 Base Budget Overview

(November 2020 Forecast)

MDA FY2022-23 General Fund Base

Pass-through Appropriations (\$ in thousands)	
Animal Claims	350
Crop Claims	310
Farmers Mkt Nutrition Program	356
Dairy Development Program	1,268
Ag Growth Research and Innovation (AGRI)	29,386
Ag Research, Education Extension, and Technology (AGREET)	18,600
Ag Societies and Associations	948
Minnesota Agricultural Education Leadership Council (MAELC)	500
Second Harvest Grant	3,300
Southern Minnesota Initiative Foundation	50
Healthy Eating Grant	650
Farm Advocates	534
Mental Health Assistance	476
Total	56,728



Agency Program Appropriations (\$ in thousands)	
Pesticide & Fertilizer Management	1,220
Plant Protection	4,306
Invasive Weed Program	450
Plant Pathogens and Pests	500
Industrial Hemp	350
Laboratory Services	9,584
Laboratory Capital Equipment	450
Food General Fund	6,810
Retail Food Program Streamlining	5,800
Delegated Food Inspection Oversight	200
Food Handler Plan Review	520
Commercial Canneries	140
Cottage Food License Materials	50
Dairy General Fund	2,356
State Meat Inspection	2,854
Ag Marketing & Development	5,896
Mn Grown Matching Program	372
Ag Emergency	500
Agency Services	8,620
Total	50,978

Governor's Budget Recommendation



Support Ongoing Rural Mental Health Outreach

- **Investment of \$50,000 per year** to fund programs, services, and outreach efforts aimed at reducing stress and promoting better mental health for farmers, farm families, and others who work in and with Minnesota's agricultural sector.
 - The Minnesota Farm & Rural Helpline - professional 24-hour confidential hotline, text, and e-mail service
 - Educational Efforts - workshops, seminars and other offerings that teach farmers, agricultural and rural professionals
 - Public Outreach - public information and outreach efforts to reduce the stigma that surrounds stress, anxiety, and other mental health challenges

Governor's Budget Recommendation



Expand Farm Advocate Program

- A general fund increase of **\$20,000 in each year of the biennium** to pay for an additional Farm Advocate.
- We currently contract with 10 Farm Advocates across the state.
- The Farm Advocate Program has been assisting Minnesota farmers for over 20 years.
- In a typical year, Farm Advocates will assist over 200 farmers and their families.

Governor's Budget Recommendation



Support for Farm Transitions

- **One-time investment of \$50,000 in the first year** to improve the FarmLink platform, which connects retiring farmers and non-farming landowners with beginning and emerging farmers seeking land to farm.
 - This new application will offer a service that connects people seeking on-farm work and/or mentorships with existing farmers who are seeking labor.
- **Investment of \$50,000 per year** to create a two-year pilot project for Farmland Access Teams.
 - Customized teams (modeled after Minnesota's successful Dairy Profitability Teams) will work one-on-one to help beginning farmers and individuals exiting the profession.

Governor's Budget Recommendation

Increase International Trade

- **One-time investment of \$100,000** to leverage Minnesota's trade network and strong agricultural sector by hiring a representative in Taiwan to serve the East Asia markets.
 - The East Asia market is critical for Minnesota agriculture exports.
 - In-country representation is key to market success.
 - The MDA has worked with delegations from Taiwan—both inbound and outbound—for the past five years.
 - New Taiwan representative will work with the U.S. Foreign Agricultural Service and in-country buyers to secure current markets and advance future sales and partnerships.

Governor's Budget Recommendation



Support for Industrial Hemp Industry

- **One-time appropriation of \$50,000 in the first year** to complete the development of IT infrastructure for licensing and managing data for hemp producers and processors.
 - Will be used for design and development of software to track hemp sampling and testing data
 - Licensees grown to more than 500 since 2016
 - Grower and processor applications are open now

Governor's Budget Recommendation

Battle Invasive and Noxious Weeds

- **\$225,000 in each year of the biennium** to fund the Noxious Weed Program to aid local governments, weed law enforcement, training, and the continuation of state-led eradication and management programs for noxious weeds.
- Funding will also help the MDA work directly with local governments and landowners to provide outreach and support for local weed control efforts.

Governor's Budget Recommendation



Expand Livestock/Meat Processing

- **One-time investment of \$1 million** in the Agricultural Growth Research, and Innovation (AGRI) fund to provide grants to support meat, poultry, egg and milk processors.
 - Grants will support the start-up, expansion, and modernization of facilities across the state. These one-time funds would supplement the existing AGRI Value-Added Grant.
- **Investment of \$110,000 in each year of the biennium** to meet the processing demand at new or existing businesses.
 - This funding is necessary to support current levels of staff to meet mandated inspection frequencies.

Governor's Budget Recommendation

Dedicate Food Licensing Fees

- Dedicate revenues generated from food handler license and vending machine inspection fees to the Agriculture Fund.
- Food handler license fees are currently non-dedicated and do not directly support food program operations.
- These dedicated funds will allow the MDA's Food and Feed Safety Division to better address long term planning needs, adapt to industry changes, and improve food safety program services.

Governor's Budget Recommendation



Increase Biofuels Infrastructure

- **\$2 million per year from the general fund** beginning in FY2022 to establish a Biofuels Infrastructure Financial Assistance Program.
- The funds will be used to help service stations make infrastructure upgrades to ensure that higher blends of biofuels are available across the state.
- The MDA will work with a newly established Biofuels Infrastructure Financial Assistance Program Advisory Committee to advise the commissioner on eligibility guidelines, program criteria, and leveraging additional public or private dollars.

Governor's Budget Recommendation



Invest in Bioincentive Program

- Claims for bioincentive payments greatly exceed available funds. Additional claimants are expected, which would result in an even greater shortfall than in FY20.
- **The Governor recommends an additional \$750,000 per year beginning with FY22 to support the Bioincentive Program.** The proposed increase of \$750,000 per year (to total \$3.75 million per year) will reduce, but not eliminate, the shortfall.

Governor's Budget Recommendation

Reduce Funding Shortfall in Agricultural Best Management Practices (AgBMP) Loan Program

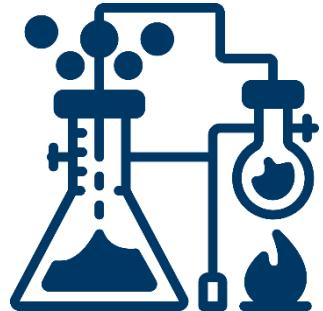
- **The Governor recommends a one-time general fund appropriation of \$1 million in each year of the biennium** to be transferred to the existing revolving fund account to increase lending capacity of the Agricultural Best Management Practices (AgBMP) program.
- The AgBMP Loan Program provides low interest financing through local lenders to farmers and other entities to implement best management practices that reduce environmental pollution.
- Will help reduce a funding shortfall for the program. Many counties requested additional funding to finance eligible but unfunded projects.
- 2020 local government requests exceeded available funding by more than \$20 million dollars.

Governor's Budget Recommendation

Establish Climate Smart Farms Project

- **The Governor recommends a one-time general fund appropriation of \$500,000** to establish a Minnesota Agricultural Water Quality Certification Program (MAWQCP) Climate Smart Farms Project.
- The MAWQCP is a federal-state partnership between the State of Minnesota, the USDA, the EPA, and private industry as a first of its kind program that to address water quality in agricultural areas.
- The funding would support a limited-term 5-year bridge-payment program available to MAWQCP-certified farmers that obtain a Climate Smart Endorsement through implementation of climate change mitigation practices.

Governor's Budget Recommendation



Increase Laboratory Equipment Account

- An ongoing general fund increase of \$66,000 to the MDA's Laboratory Services Division would help finance capital equipment purchases.
- FY2022-23 base capital equipment budget is currently set at \$225,000 each year.
- This increase will allow the MDA's lab to replace fully depreciated items for our Microbiology Unit; our Chemistry/Toxicology Unit; and the Plant Analysis Unit.

Governor's Budget Recommendation

Increase Pesticide Fee to Fund Lab & Urban Programs

- A recommended increase in the pesticide gross sales fee rate by 0.35% for ag pesticides and 0.4% for non-ag pesticides would generate approximately \$2.251 million in the Agriculture Fund beginning FY23.
- This request represents an increase in revenue of approximately 64% over the actual receipts collected in FY20 of \$3.5 million.
- This would provide:
 - 1) Stable source of revenue to replace or add high-cost analytical equipment.
 - 2) Funding for urban pesticide education and outreach.
 - 3) Respond to OLA recommendation that MDA expand its pesticide monitoring program.

Governor's Budget Recommendations

Operating Adjustment

- The Governor recommends a **reduction of \$1.33 million to the FY2021 general fund operating budget and additional funding of \$565,000 in FY2022 and \$974,000** in each subsequent year to maintain current level of service.
- The increase represents a 1% change to the overall general fund base.
- FY2021 savings generated due to the state hiring freeze salary savings, holding back monetary performance awards, suspended outstate travel, reduced motor pool fleet, and limited printing of marketing materials.
- Efficiencies will continue into FY22-23 and coupled with the additional funding, the Department will ensure projects are not delayed, fee accounts maintain a stable balance, and agency visibility is maintained.



Thank you!

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