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↻ Designates that this item is a change item



January 27, 2009

To the 2009 Minnesota State Legislature,

On behalf of Governor Pawlenty, I am pleased to submit the budget recommendation for the Minnesota Department of Agriculture (MDA) for the 2010-2011 biennium. This budget includes \$77.9 million from the state General Fund, \$41.7 million from the Agricultural Fund (money collected from ag-related fees), \$16.2 million in Federal money and \$33.1 million from a variety of other sources. The recommended funding level represents a 13% decrease from total FY 2008-09 spending and 5% decrease from the general fund forecast base.

The mission of the Minnesota Department of Agriculture is to enhance Minnesotans' quality of life by ensuring the integrity of our food supply, the health of our environment, and the strength of our agricultural economy. In developing these budget recommendations, we focused resources on the core functions which are most directly responsible for implementing that mission on a day-to-day basis. Our budget development process was also informed by the comments and suggestions we received from our agricultural stakeholders in a series of public listening sessions conducted around the state in 2008.

Some highlights of the proposed budget are:

- More than \$4 million in new funding for MDA's Pesticide & Fertilizer Management Division which enforces state laws pertaining to the sale, use and disposal of a host of agricultural inputs, including fertilizers, agricultural lime, and pesticides. In recent years, PFMD efforts have expanded to address environmental issues in urban and agricultural ecosystems.
- Nearly \$9 million in new funding under the Clean Water Legacy program for pesticide monitoring and assessment, drinking water protection, research and loans to help address agricultural non-point source priorities in local water plans.
- Creation of Ag21 – a 21st Century Agricultural Reinvestment Program to provide grants and loans to fund emerging needs in agriculture, such as advancing the states livestock and bioenergy industries.
- A General Fund reduction of \$1.6 million. The magnitude of the projected budget shortfall and the desire to protect core MDA functions necessitates reducing or eliminating some functions, such as MDA's aquaculture program, plant pest survey work, and other biocontrol efforts.

I welcome any questions you may have about this budget proposal. Please feel free to contact me or my staff at 651-201-6219 if you would like more information.

A handwritten signature in black ink, reading "Gene Hugoson".

Gene Hugoson, Commissioner

Agency Purpose

The mission of the Minnesota Department of Agriculture (MDA) is to enhance Minnesotans' quality of life by ensuring the integrity of our food supply, the health of our environment, and the strength of our agricultural economy.

From the farm to your family, the MDA ensures that Minnesota agricultural products used in production or available for consumption meet or exceed regulatory standards. These standards are set by state and federal laws that ensure the quality of products and the safety of food. The MDA also helps sustain and enhance the economic and environmental conditions of the agricultural sector in a number of ways. Since Minnesota produces more food and agricultural products than its citizens can consume, it must focus on marketing strategies that encourage exports to other states and countries. The MDA plays a lead role in helping the state's farmers and agricultural businesses build trade relationships with potential customers in other states and countries.

Core Functions

The Protection Services Program provides regulatory oversight for agricultural products from the farm to retail stores. Many of these regulatory activities touch consumers' everyday lives. For example, the MDA protects consumers by inspecting food and dairy products, dairy farms, food processing facilities, grocery stores, and even food stands at the Minnesota State Fair. The MDA also regulates, inspects and analyzes animal feed, fertilizers and pesticides; it performs laboratory analysis on food products and inspects fresh produce moving into or out of Minnesota. The MDA helps protect the environment by monitoring surface and ground water for possible contaminants and by preventing the establishment of destructive tree and plant pests such as gypsy moths.

The Agricultural Marketing and Development Program helps sustain and enhance farmers' economic and environmental well-being through a number of services. The program develops and tests new farming practices that help minimize environmental impacts, educates farmers about these practices and encourages their implementation with education and technical assistance. During the growing season, this program provides farmers updated plant pest information, which helps farmers determine how and when to take action to protect their crops. The program also helps the state's agricultural community expand existing markets and develop new markets for Minnesota agricultural products. This includes developing international trade opportunities, promoting a program to encourage consumers to buy locally-grown food, and encouraging value-added activities.

The ethanol producer payment program was authorized by the 1986 legislature. In FY 2009, eight plants are eligible for quarterly producer payments based on their eligible production.

The department also manages the NextGen Energy Board, which provides recommendations about how the state can most efficiently achieve energy independence through agriculture and natural resource sustainability. In 2009, the department, with recommendations from the board, will issue grants to spur the development of new technologies for bio-energy production.

The Administrative Services Program provides leadership and administrative support to the agency, gathers important statistical information for the farm sector, and offers grants and assistance to individuals and organizations. This program provides overall leadership and coordination of agency efforts. It coordinates communication with internal and external stakeholders including farmers, media, and other government bodies. It provides fiscal oversight to the department and provides important information on employment and benefits to

At A Glance

What does agriculture offer Minnesota in the 21st century? Aside from providing the world's most abundant and wholesome food supply, agriculture remains a cornerstone of our state economy.

- ◆ Agriculture and its related industries account for about 15% of all Minnesota jobs, making it the state's second largest economic sector.
- ◆ More than 80% of all agricultural jobs are off-farm, in processing, distribution, supply, and service activities.
- ◆ Exports of farm products bring in nearly \$3 billion to the state each year.
- ◆ Minnesota is the seventh largest exporter of agricultural products among the states, leading in turkey exports and ranking in the top ten in milk, soybeans, pork and many other commodities.
- ◆ More than half of the state's total land area is farmland.

MDA works to help ensure that all this activity remains orderly, safe, and profitable.

employees. Producers use the statistical information gathered by our joint federal/state division of Ag Statistics to learn about important trends in their industry. The Ag Statistics program produces publications that provide valuable information on crop conditions and production statistics and forwards information on Minnesota agriculture to the U.S. Department of Agriculture (USDA).

Operations

The department's main office is at 625 Robert Street North, in St. Paul. However, since most of the regulatory and promotion services we provide require face to face contact with our farmers, producers, and consumers, almost half of our staff is scattered throughout the state in the areas they serve. Our inspectors are responsible for on-site inspections of facilities. These inspections ensure that the agricultural products and processes meet applicable standards for quality and integrity. For example, the fertilizer we use on our lawns must meet quality standards just as the fertilizer used in production agriculture. The pesticides we use in our homes are regulated just as those used by farmers. Milk is inspected at many points, from the farm to the milk plant to our supermarkets. Sustainable agricultural practices, such as biological control of weeds and pests, benefit not only the farmers but the shoppers in urban shopping malls.

In addition to ensuring the safety and integrity of products, the department helps farmers and agribusinesses market those products in an increasingly competitive global marketplace. The MDA encourages value-added activities and the development of new domestic markets for existing agriculture products, and it works with other state offices to stimulate international exports of Minnesota-grown agricultural products. This is done to help keep Minnesota's agricultural community competitive in the world marketplace.

Budget

The MDA budget comes from multiple funds. These funds include the general fund for operations and for bio-energy programs, dedicated revenue funds, federal funds, and loan funds.

Over half of all money expended is appropriated from the general fund. Of this amount, approximately 35% is for ethanol producer payments. Most of the balance supports agency program operations.

Dedicated funds spent by the MDA (special revenue and ag fund) provide operational costs for various programs. Most dedicated funds are fee revenues, deposited in individual accounts and statutorily appropriated for the costs of the specific services provided.

Some regulatory programs collect various fees that defray the cost of services to the general fund. These fees are deposited to the general fund as non-dedicated revenues.

MDA continues to apply for federal funds that complement our areas of responsibility.

MDA also administers several agricultural loan programs. Funding for these loan programs is provided through a variety of sources that include user-financed bonds.

Contact

For additional policy information, please contact Quinn Cheney, Director of Policy Development at (651) 201-6180 or Quinn.Cheney@state.mn.us.

For additional budget information, please contact Steve Ernest, Financial Management Director, at (651) 201-6580 or Steve.Ernest@state.mn.us.

MDA's website is www.mda.state.mn.us Our website contains additional information on each of the divisions in the agency, licensing information, food recalls information, and more. For information on how this agency measures whether it is meeting its statewide goals, please visit www.departmentresults.state.mn.us/agriculture

Dollars in Thousands

	Current		Governor Recomm.		Biennium 2010-11
	FY2008	FY2009	FY2010	FY2011	
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	0	368	368	368	736
Recommended	0	368	0	0	0
Change		0	(368)	(368)	(736)
% Biennial Change from 2008-09					-100%
General					
Current Appropriation	52,608	40,992	40,992	40,992	81,984
Recommended	52,608	40,992	38,950	38,950	77,900
Change		0	(2,042)	(2,042)	(4,084)
% Biennial Change from 2008-09					-16.8%
Remediation Fund					
Current Appropriation	388	388	388	388	776
Recommended	388	388	388	388	776
Change		0	0	0	0
% Biennial Change from 2008-09					0%
Clean Water Fund					
Current Appropriation	0	0	0	0	0
Recommended	0	0	3,075	5,850	8,925
Change		0	3,075	5,850	8,925
% Biennial Change from 2008-09					n.m.
<u>Expenditures by Fund</u>					
Carry Forward					
Miscellaneous Special Revenue	14	0	0	0	0
Direct Appropriations					
Environment & Natural Resource	110	479	0	0	0
General	43,649	45,998	39,250	38,939	78,189
Remediation Fund	379	397	388	388	776
Clean Water Fund	0	0	3,075	5,850	8,925
Statutory Appropriations					
Clean Water Revolving Fund	5,970	2,802	4,331	5,105	9,436
Miscellaneous Special Revenue	6,229	4,194	3,899	4,049	7,948
Agriculture Fund	16,948	19,646	20,977	20,757	41,734
Federal	5,507	8,475	8,023	8,222	16,245
Remediation Fund	941	2,373	2,373	2,373	4,746
Rural Finance Administration	348	500	500	500	1,000
Miscellaneous Agency	416	422	215	187	402
Gift	57	138	35	25	60
Total	80,568	85,424	83,066	86,395	169,461
<u>Expenditures by Category</u>					
Total Compensation	29,063	33,284	35,046	36,009	71,055
Other Operating Expenses	18,404	26,323	22,260	21,521	43,781
Payments To Individuals	4,050	630	607	608	1,215
Local Assistance	19,614	21,434	18,317	19,053	37,370
Other Financial Transactions	9,437	3,753	6,736	9,104	15,840
Transfers	0	0	100	100	200
Total	80,568	85,424	83,066	86,395	169,461

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Expenditures by Program</u>					
Protection Services	34,135	43,301	43,812	44,795	88,607
Ag Marketing & Development	6,787	8,299	13,915	16,185	30,100
Value-Added Products	16,372	17,854	15,168	15,168	30,336
Agency Svcs & Financial Assist	23,274	15,970	10,171	10,247	20,418
Total	80,568	85,424	83,066	86,395	169,461
Full-Time Equivalents (FTE)	400.7	352.3	340.0	340.0	

<i>Dollars in Thousands</i>				
	FY2009	Governor's Recomm.		Biennium
		FY2010	FY2011	2010-11
Fund: ENVIRONMENT & NATURAL RESOURCE				
FY 2009 Appropriations	368	368	368	736
Technical Adjustments				
One-time Appropriations		(368)	(368)	(736)
Subtotal - Forecast Base	368	0	0	0
Total Governor's Recommendations	368	0	0	0
Fund: GENERAL				
FY 2009 Appropriations	40,992	40,992	40,992	81,984
Technical Adjustments				
Approved Transfer Between Appr		0	0	0
One-time Appropriations		(690)	(690)	(1,380)
Pt Contract Base Reduction		(7)	(7)	(14)
Transfers Between Agencies		(527)	(527)	(1,054)
Subtotal - Forecast Base	40,992	39,768	39,768	79,536
Change Items				
Wolf & Elk Damage Compensation	0	50	50	100
Promotional Activity Reduction	0	(97)	(97)	(194)
Invasive Species Duties Reduction	0	(621)	(621)	(1,242)
Ag21	0	500	500	1,000
Grants and Administration Reduction	0	(650)	(650)	(1,300)
Total Governor's Recommendations	40,992	38,950	38,950	77,900
Fund: REMEDIATION FUND				
FY 2009 Appropriations	388	388	388	776
Subtotal - Forecast Base	388	388	388	776
Total Governor's Recommendations	388	388	388	776
Fund: CLEAN WATER FUND				
FY 2009 Appropriations	0	0	0	0
Subtotal - Forecast Base	0	0	0	0
Change Items				
CW Pesticide Monitoring and Assessment	0	325	350	675
CW Drinking Water Protection	0	375	750	1,125
CW Research, Projects, Assistance	0	875	1,750	2,625
CW Ag BMP Loan Program	0	1,500	3,000	4,500
Total Governor's Recommendations	0	3,075	5,850	8,925

<i>Dollars in Thousands</i>				
	FY2009	Governor's Recomm.		Biennium
		FY2010	FY2011	2010-11
Fund: CLEAN WATER REVOLVING FUND				
Planned Statutory Spending	2,802	4,331	5,105	9,436
Total Governor's Recommendations	2,802	4,331	5,105	9,436
Fund: MISCELLANEOUS SPECIAL REVENUE				
Planned Statutory Spending	4,194	3,899	4,049	7,948
Total Governor's Recommendations	4,194	3,899	4,049	7,948
Fund: AGRICULTURE FUND				
Planned Statutory Spending	19,646	18,478	18,258	36,736
Change Items				
ACRRA Incident Response Program Costs	0	271	271	542
Pesticide Program Funding	0	2,170	2,170	4,340
Agricultural Pesticide Dealer License	0	21	21	42
Dairy & Food Reinspection Fees	0	37	37	74
Total Governor's Recommendations	19,646	20,977	20,757	41,734
Fund: FEDERAL				
Planned Statutory Spending	8,475	8,023	8,222	16,245
Total Governor's Recommendations	8,475	8,023	8,222	16,245
Fund: REMEDIATION FUND				
Planned Statutory Spending	2,373	2,373	2,373	4,746
Total Governor's Recommendations	2,373	2,373	2,373	4,746
Fund: RURAL FINANCE ADMINISTRATION				
Planned Statutory Spending	500	500	500	1,000
Total Governor's Recommendations	500	500	500	1,000
Fund: MISCELLANEOUS AGENCY				
Planned Statutory Spending	422	215	187	402
Total Governor's Recommendations	422	215	187	402
Fund: GIFT				
Planned Statutory Spending	138	35	25	60
Total Governor's Recommendations	138	35	25	60
<u>Revenue Change Items</u>				
Fund: AGRICULTURE FUND				
Change Items				
Pesticide Program Funding	0	2,770	2,770	5,540
Agricultural Pesticide Dealer License	0	21	21	42
Dairy & Food Reinspection Fees	0	37	37	74

AGRICULTURE DEPT

Change Item: Ag21

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$500	\$500	\$1,877	\$15,668
Revenues	0	0	0	0
Net Fiscal Impact	\$500	\$500	\$1,877	\$15,668

Recommendation

The Governor recommends creating a new 21st Century Agricultural Reinvestment program, Ag21, which will provide grants and loans to fund emerging needs in agriculture.

Background

Both the Livestock Investment Grant Program and the NextGen Energy Grant Program, funded in FY 2008 and 2009, were enthusiastically received by Minnesota's agricultural community. However, both programs received one-time money only. Ag21 would provide on-going funding for supporting Next Generation energy development and livestock investment, stimulating growth in both areas.

The Minnesota Department of Agriculture (MDA) commissioner will use money in the Ag21 fund to issue grants, loans, or other forms of financial assistance that advance the state's agricultural or renewable energy industries. Eligible expenditures will include, but will not be limited to, grants to livestock producers under the livestock investment grant program in section 17.118 and bio-energy funds awarded by the next generation energy board established in section 41A.105.

In Fiscal Years 2010-2011, some funding would be redirected from the Dairy Development and Profitability Enhancement program (included in a separate change item), and would be directed to livestock investment grants. With the completion of the ethanol producer payments, Ag21 would receive an infusion of funds in fiscal years 2012-2013. (See chart below for details.) This redirection will allow MDA to make strategic investments at a critical point in the development of two agricultural sectors that are key to Minnesota's 21st century agricultural economy.

Relationship to Base Budget

This account was created by reprogramming funding from other agricultural accounts (see chart below):

- ◆ \$500,000 per year from the Dairy Development program – This change represents a desire to reduce funding for an administrative-intensive program, and redirect the dollars to Ag21, which will provide grants directly to producers for use in improving their livestock facilities and helping them to respond to the competitive market place
- ◆ M.S. 41A.09, Subd.3a directs that any funds remaining, after required ethanol producer payments and deficiency payments have been paid, be directed for "rural economic infrastructure." Ag21 will provide a structure to direct this funding for needed investment throughout Minnesota's agricultural sector.

Sources of Reprogrammed Funding for Ag21 (\$thousands)

	2010	2011	2012	2013
Redirected from Dairy Profitability and Enhancement Program	\$500	\$500	\$500	\$500
Redirected from Ethanol Producer Payment Program	0	0	1,377	15,168
Total proposed funding for Ag21	\$500	\$500	\$1,877	\$15,668

Key Goals and Measures

This program would encourage continued reinvestment in Minnesota's agricultural sector.

Statutory Change: M.S. 41A

AGRICULTURE DEPT

Change Item: CW Ag BMP Loan Program

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
Clean Water Fund				
Expenditures	\$1,500	\$3,000	\$3,000	\$3,000
Revenues	0	0	0	0
Net Fiscal Impact	\$1,500	\$3,000	\$3,000	\$3,000

Recommendation

The Governor recommends \$4.5 million in Clean Water Funds be allocated to the Agriculture Best Management Practices (AgBMP) loan program for the Minnesota Department of Agriculture (MDA) to work with local units of government in originating loans for projects that improve water quality. The funds will be allocated to areas that have finalized Total Maximum Daily Loads (TMDL) plans, and the projects will specifically address the impairment and sources of the impairment. The source of these funds is derived from the new constitutionally-dedicated sales tax.

Background

This water quality program provides zero interest loans to local units of government (e.g. counties, Soil and Water Conservation District [SWCDs]) who in turn provide low interest loans to individuals for agricultural Best Management Practices that help implement agricultural non-point source pollution priorities in local water plans.

Loans are primarily used for septic system upgrades, agricultural waste management projects and conservation tillage equipment.

The AgBMP Loan Program has recently received \$3.7 million (\$1.2 in FY 2007 and \$2.5 in FY 2008-2009) in one-time Clean Water Legacy funds to provide loans within impaired watersheds. These funds have been allocated to over 20 Local Government Units (LGUs) and used for over 125 individual projects.

Note: Currently, the program is capitalized at around \$57 million.

Relationship to Base Budget

The current AgBMP program is a revolving loan program, with monies located in the Agricultural Fund which revolves for new loans as it is repaid.

The allocation would be in addition to the base allocation the LGU would normally receive.

Key Goals and Measures

The additional targeted AgBMP loan projects will provide LGUs additional opportunities to specifically address a source or sources of impairment, hopefully leading to overall improved water quality.

With the potential increased funding, AgBMP loans would continue to be focused on local high priority restoration and protection issues with emphasis on feedlot upgrades and septic systems.

Statutory Change: None

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
Clean Water Fund				
Expenditures	\$375	\$750	\$750	\$750
Revenues	0	0	0	0
Net Fiscal Impact	\$375	\$750	\$750	\$750

Recommendation

The Governor recommends \$1.125 million in Clean Water Funds be allocated for increased drinking water protection from agricultural chemicals, primarily nitrate contamination. The source of these funds is derived from the new constitutionally-dedicated sales tax.

Background

Nitrates are widely present in vulnerable aquifers in Minnesota, sometimes above the drinking water standard. This proposal would increase state efforts in response to elevated nitrates in agricultural areas where groundwater is or could be used as drinking water, and to promote practices that will reduce leaching of nitrogen fertilizer to groundwater. The primary focus will be on nitrates however outreach activities will also include a pesticide prevention component.

Specific activities funded under this proposal include:

- ◆ Promoting and evaluating regional and crop specific nutrient Best Management Practices to protect groundwater. This includes: promotion of Best Management Practices (BMPs) directly with farmers and agricultural groups; plot and field scale evaluations; monitoring and modeling of BMPs; and, preparing BMP educational materials.
- ◆ Responding to specific local situations with elevated nitrates or vulnerable potable aquifers. This includes developing coordinated cooperative response efforts with area farmers, local governmental units and other parties to evaluate local problems, actual fertilizer use practices and fertilizer BMPs most appropriate in the specific setting or other options needed to protect drinking water. Minnesota Department of Agriculture (MDA) staff have successfully served as liaison between community public water suppliers, local farmers and fertilizer dealers in a number of response efforts. If sufficient funds are available the proposal would include pass-through funding to local governmental units to encourage and pilot different approaches for sustainable locally driven response activities;
- ◆ Conducting a public process to review and update the state Nitrogen Fertilizer Management Plan to protect groundwater (last published in 1990); and,
- ◆ Increasing monitoring to evaluate trends in the concentration of nitrate in groundwater both in high risk areas and regionally.

Relationship to Base Budget

MDA currently implements programs to protect drinking water from agricultural chemical contamination. The source of funding for past and present efforts are from fee-based dedicated accounts (e.g. fertilizer regulatory account). The proposed funding increase would allow the Department to ramp up current efforts and be more responsive in taking action to limit the amount agricultural chemicals reaching drinking waters.

Key Goals and Measures

- ◆ This effort is consistent with the MDA strategic goal of being a leader in environmental programs.
- ◆ Update the Nitrogen Fertilizer Management Plan.
- ◆ Develop new public-private sector partnerships in responding to nitrate contamination of drinking water sources.

Statutory Change: None

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
Clean Water Fund				
Expenditures	\$325	\$350	\$350	\$350
Revenues	0	0	0	0
Net Fiscal Impact	\$325	\$350	\$350	\$350

Recommendation

The Governor recommends \$675,000 in clean water funds be allocated for increased pesticide assessment and monitoring. The source of these funds is derived from the new constitutionally-dedicated sales tax.

Background

This proposal would increase monitoring for pesticides and pesticide degradates in surface water and groundwater. The increased monitoring would be used for three purposes:

- ◆ To conduct assessment and evaluation of actual practices and best management practices in response to the recent listing of two water bodies as impaired due to acetochlor;
- ◆ To monitor for acetochlor and other pesticides in additional surface waters; and,
- ◆ To provide additional laboratory capacity and flexibility for responding to emerging pesticide issues.

These additional resources would help position the State to better respond to the existing impairments for acetochlor and future impairments for pesticides. They would provide for the early identification of elevated pesticides in surface waters so preventative actions can be taken to prevent impairments. They would allow the Minnesota Department of Agriculture (MDA) to integrate pesticides into the Minnesota Pollution Control Agency (MPCA)'s regional surface water monitoring plan including intensive monitoring of a sub-watershed within each major watershed.

The additional resources would also provide new laboratory capacity for responding to emerging pesticide issues in groundwater and surface water. Examples of potential emerging issues include residential insecticides that have been identified as a concern by the Environmental Protection Agency (EPA), pesticides as potential endocrine disrupting compounds, a significant increase in the use of pesticides to control an invasive species or periodic outbreaks of pests or plant diseases.

Relationship to Base Budget

MDA currently monitors and assesses surface and groundwater for the presence of pesticides. The source of funding for past and present efforts are from fee-based dedicated accounts (e.g. pesticide regulatory account). The proposed funding increase would allow the Department to ramp up current efforts and be more responsive in taking action to limit the amount pesticides reaching surface and ground waters.

Key Goals and Measures

- ◆ This effort is consistent with the MDA strategic goal of being a leader in environmental programs.
- ◆ The MDA will run an additional 600 pesticide water samples each year.

Alternatives Considered

A fee increase is also under consideration to help bolster MDA efforts in this arena. However, the fee increase proposal and clean water fund request should not be considered an "either/or option", but rather a package. The fee increase to the pesticide regulatory account is needed for a wide variety of pesticide-related activities (e.g. registration, investigation, incident response, emergency management, disposal), while the clean water fund request would be focused on increased water monitoring and assessment.

Statutory Change: None

AGRICULTURE DEPT**Change Item: CW Research, Projects, Assistance**

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
Clean Water Fund				
Expenditures	\$875	\$1,750	\$1,750	\$1,750
Revenues	0	0	0	0
Net Fiscal Impact	\$875	\$1,750	\$1,750	\$1,750

Recommendation

The Governor recommends \$2.625 million in clean water funds for: 1) research projects; 2) pilot and demonstration projects; and 3) technical assistance and staff.

Background

Future efforts might be focused on:

- ◆ Additional Request for Purchase (RFP) research efforts on proper Best Management Practice (BMP) implementation and effectiveness; targeting practices to critical areas of the landscape; more precise information on non-point contributions to impaired waters; and other priority research efforts identified by the University of Minnesota (UofM) Research Symposium;
- ◆ Establishing more on-farm research and pilot projects that can test and validate practices on working farms;
- ◆ Additional work with private-sector environmental assessments/certifications; and
- ◆ Staff support to scientifically evaluate water monitoring, listings, plan development, and implementation. Staff support is also needed to develop and monitor research and pilot projects that involve state investment.

The Minnesota Department of Agriculture (MDA) has received \$2.7 million in past one-time Clean Water Legacy funds (FY 2007, 2008, 2009) to conduct a variety of technical assistance and research efforts.

Past Research (Total of \$1.9 million for FY 2007, 2008, 2009)

\$1.9 million was awarded in direct RFP research projects to academic institutions to conduct research on load allocations, agricultural contributions, and BMP effectiveness.

Research projects included:

- ◆ Targeting BMPs to Critical Portions of the Landscape
- ◆ Evaluation of BMPs in Impaired Watersheds Using the SWAT Model
- ◆ Developing a Deoxyribonucleic acid (DNA) Marker System for Bacteria from Cattle, Swine & Poultry Manure
- ◆ Discovery Farms Feasibility Study
- ◆ Evaluation of Acetochlor Loss to Tile Drainage
- ◆ Evaluation of Nutrient Retention Basins for Treating Drainage from Ag Landscapes
- ◆ Growth & Survival of Fecal Bacteria in Roadside & Tile Drain Ditches
- ◆ Funding to conduct UofM Research Symposium on Impaired Waters research priorities.
- ◆ \$675,000 remains available with plans for awards to be made in early 2009.

Past Pilot Projects and Technical Assistance (Total of \$800,000 for FY 2007, 2008, 2009)

- ◆ \$190,000 was obligated to two contracts to develop statewide Environmental Quality Assurance (EQA) programs for multiple types of livestock operations and test them on 125 farms in Total Maximum Daily Loads (TMDL) areas. The effort builds on EQA programs previously developed by the Minnesota Milk Producers & the National Pork Growers Association programs. The project ends June 30, 2009.
- ◆ \$210,000 was obligated to a contract with the UofM Water Resources Center to coordinate a training program that has certified over 350 individuals to provide professional conservation technical assistance for high-priority practices in TMDL areas. Significant progress has also been made on interagency training coordination, including a database of conservation technical training opportunities. Project ends June 2009.
- ◆ \$80,000/year was obligated to pay the salary of a re-assigned staff member to serve as an Impaired Waters Technical Coordinator.

- ◆ \$237,000 remains available for additional staff expense and potential pilot/demonstration projects. Of this amount \$135,000 has been offered for unallotment to help address the state budget shortfall. The remaining \$102,000 is programmed to pay the salary and benefits of the current Impaired Waters Technical Coordinator.

Relationship to Base Budget

All past efforts were funded with one-time appropriations.

Key Goals and Measures

- ◆ Facilitate priority research projects that help water quality personnel better understand agriculture's contributions to impairments, along with the best low-cost and least obtrusive remediation measures.
- ◆ Develop additional pilot projects and demonstration sites that empirically validate best management practices to the agricultural community, researchers, regulators, and policy makers.
- ◆ Cultivate private sector partnerships that promote agricultural producers to be more proactive in conservation stewardship.
- ◆ Retain and add professional/scientific staff who interact on an interagency basis to assure that non-point sources of pollution are correctly and appropriately accounted for within the impaired waters process.

Statutory Change: None

AGRICULTURE DEPT

Change Item: Grants and Administration Reduction

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$(650)	\$(650)	\$(650)	\$(650)
Revenues	0	0	0	0
Net Fiscal Impact	\$(650)	\$(650)	\$(650)	\$(650)

Recommendation

The Governor recommends making reductions to grants passed through Minnesota Department of Agriculture (MDA) and to the administrative activities of MDA.

Background

A substantial portion of this reduction (\$500,000) is a redirection from the administrative costs of the Dairy Development Program to a new 21st Century Agricultural Reinvestment program (Ag21). The Ag21 program will address emerging needs in agriculture. Under this program, livestock producers will be eligible for grants that improve their facilities.

The Sustainable Agriculture Demonstration Grant program is reduced by \$100,000 per year under this proposal.

A reduction will also be made to the administrative budget of the Department of Agriculture.

Relationship to Base Budget

Specific program changes include the following.

- ◆ The Dairy Development Program from \$1.005 million per year to \$505,000 per year
- ◆ The Sustainable Agriculture Demo Grants Program from \$160,000 per year to \$60,000 per year

Key Goals and Measures

This initiative will help MDA focus on current issues facing the agricultural economy.

Statutory Change: None

AGRICULTURE DEPT

Programs: PROTECTION SERVICES, AG MARKETING & DEVELOPMENT

Change Item: Invasive Species Duties Reduction

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$(621)	\$(621)	\$(621)	\$(621)
Revenues	0	0	0	0
Net Fiscal Impact	\$(621)	\$(621)	\$(621)	\$(621)

Recommendation

The Governor recommends eliminating several Minnesota Department of Agriculture (MDA) activities that are aimed at managing, monitoring, detecting, and treating invasive pests that threaten agricultural crops, trees and forests.

Background

The MDA has a long history of working to address invasive species within the State of Minnesota. The agency's work ranges from:

- ◆ identifying emerging pests and conducting risk assessments of their potential economic damage;
- ◆ monitoring and trapping;
- ◆ education;
- ◆ eradication/treatments; and
- ◆ general regulatory oversight (e.g. market inspections, import/export certifications, etc.)

The Plant Protection Division will eliminate the plant pest survey program. This program provides information on the abundance and distribution of pests of Minnesota field crops (e.g. corn, soybeans, small grains, alfalfa, and sunflowers). The data generated is used as a reference for current regional pest conditions and is used as a scouting guide by private crop consultants and as an academic resource by university personnel.

The Ag Development and Financial Assistance Division will reduce its bio-control efforts, eliminate the urban pest management program and reduce the Integrated Pest Management (IPM) educational, promotion, financial and technical assistance efforts. In eliminating this work, the federal government, other state agencies (e.g. Department of Natural Resources [DNR]) and educational institutions (e.g. University of Minnesota [UofM]) will be turned to by stakeholders to conduct the work.

Relationship to Base Budget

This budget reduction is a major reduction and represents a significant change in the way the State approaches protection against invasive species. The annual base budgets for these activities are as follows: \$200,000 for plant pest survey activities, \$143,000 for bio-control activities, \$101,000 for the urban pest management activities and \$177,000 for the IPM program.

This will be a permanent base budget reduction of \$1.242 million for the biennium and will lead to the elimination of an undetermined number of full-time and seasonal staff, non-renewal of a lease and research and a redirection of focus on other efforts and programs.

Key Goals and Measures

Remaining personnel within the Ag Development and Financial Assistance Division will be focused on carrying out several important programs aimed at promoting environmentally friendly agricultural practices and improving marketability of Minnesota's agricultural products. These activities include:

- ◆ Inspection of nurseries, apiaries, and retail facilities selling stock;
- ◆ Inspection and certification of fruit, vegetable and seed sales;
- ◆ Inspection and certification of potatoes;
- ◆ Issuance of import/export certificates for national and international sales; and
- ◆ Issuance of quarantines and stop-sale orders when problems are found.

Statutory Changes: M.S. 17.114 and M.S. 18C.12

AGRICULTURE DEPT

Program: **AG MARKETING & DEVELOPMENT**

Change Item: **Promotional Activity Reduction**

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$(97)	\$(97)	\$(97)	\$(97)
Revenues	0	0	0	0
Net Fiscal Impact	\$(97)	\$(97)	\$(97)	\$(97)

Recommendation

The Governor recommends reducing funds to reflect the elimination of MDA's aquaculture program. In addition, the Governor recommends reducing funding for MDA's promotion activities, including support for the Ag in the Classroom program.

Background

In the late '80s the aquaculture program was assigned to MDA's Marketing Services to provide development assistance to producers. All regulatory authority stayed with Minnesota Department of Natural Resources (DNR). Fish farms are required to obtain a license from DNR and in certain circumstances a discharge permit from the PCA. Aquaculture development efforts were coordinated as part of the overall marketing activity of the MDA. In the last several years, there has been little or no new aquaculture development, therefore no coordination has been needed. The MDA does not anticipate any future change in this industry. This is because aquaculture farming is more suited for warmer climates.

Relationship to Base Budget

This proposal would eliminate the aquaculture development program at MDA. MDA currently has one staff person assigned to oversee the development of aquaculture farming in Minnesota. This proposal reflects savings in the Ag Marketing Services division achieved by not filling a position vacated by the recent retirement of a senior staff person.

The Ag in the Classroom program is primarily overseen by a private foundation. MDA supports the program with one staff person and paying for some mailings. This proposal would reduce the budget for mailings and other support activities by \$10,000.

Key Goals and Measures

The activities conducted by the Ag Marketing Division support the following MDA goals:

- ◆ Protect the safety of the food supply from farm to consumer.
- ◆ Improve marketability of Minnesota's agricultural products.
- ◆ Strengthen our agricultural economy.

Statutory Change: M.S. 17.49

AGRICULTURE DEPT**Program: PROTECTION SERVICES****Change Item: ACRRA Incident Response Program Costs**

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
Agricultural Fund				
Expenditures	\$271	\$271	\$271	\$271
Revenues	0	0	0	0
Net Fiscal Impact	\$271	\$271	\$271	\$271

Recommendation

The Governor recommends authorizing the Minnesota Department of Agriculture (MDA) to use dedicated Agriculture Chemical Response and Reimbursement Account (ACRRA) funds to pay salary and fringe for direct ACRRA-related MDA Incident Response activities. Projected expenditures from the ACRRA account would be \$271,000 annually.

Background

This initiative would allow the commissioner to utilize ACRRA funds for staff costs. Staff resources are limited at this time due to funding constraints and are the single most important factor in limiting progress on agricultural chemical contamination sites. There is a growing backlog of known contaminated sites that cannot be addressed due to these staff limitations.

Currently, Agricultural Chemical Response & Reimbursement Account (ACRRA) funds are authorized for reimbursement or payment of actual clean up costs (e.g. costs for contractors investigating or conducting spill or site clean ups). MDA has dedicated program and staff providing spill and site response oversight. This program has remediated hundreds of contaminated sites in urban and rural areas across Minnesota since its inception in 1989.

This policy change would authorize MDA to use ACRRA funds to pay salary and fringe for ACRRA-related MDA Incident Response Program activities. Projected expenditures from ACCRA account would total \$271,000 annually.

Relationship to Base Budget

Currently, incident response staff expenses are paid primarily from the Pesticide Regulatory Account (56% for \$485,000) which is under financial stress. Staff costs also are partially funded from the Minnesota Environmental Response and Liability Act (MERLA) Account (36% for \$310,000) for "superfund" sites, and the Fertilizer Regulatory Account (7% for \$62,000).

Revenues to and expenditures from the ACRRA account are currently approximately \$1.9 million each year. The ACRRA account currently has a \$4.5 million balance. The commissioner is statutorily required to maintain the balance between one and five million dollars.

Key Goals and Measures

This change would allow MDA to address the backlog of known contaminated sites, relieve pressure on the Pesticide Regulatory Account and provide more transparency and accuracy on the total actual costs of ACRRA-related/eligible site remediation work.

Alternatives Considered

Increase fees of Pesticide and/or Fertilizer Regulatory Account to pay for staff.

Statutory Change: M.S. 18E.03

AGRICULTURE DEPT

Program: PROTECTION SERVICES

Change Item: Agricultural Pesticide Dealer License

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
Agricultural Fund				
Expenditures	\$21	\$21	\$21	\$21
Revenues	(21)	(21)	(21)	(21)
Net Fiscal Impact	\$0	\$0	\$0	\$0

Recommendation

The Governor recommends requiring licensing for persons distributing agricultural pesticides in Minnesota and into Minnesota. "Agricultural pesticide" means a pesticide with United State Environmental Protection Agency (EPA) Worker Protection Standard requirements on the label.

This new license requirement would allow Minnesota Department of Agriculture (MDA) to identify persons distributing agricultural pesticides in and into Minnesota, and would require those persons' to keep records and report sales of agricultural pesticides in and into Minnesota. If a person already is licensed as Minnesota Pesticide Dealer, no additional licensing would be required.

Background

Minnesota agricultural pesticide dealers justifiably complain about competitive market disadvantage of products sold into Minnesota by out-of-state persons, without fair and full payment of MDA registration fees and Agriculture Chemical Response and Reimbursement Account (ACRRA) surcharges (M.S. 18B and 18E). MDA believes required fees/surcharges are not being paid, as statute currently does not require such persons to be licensed, nor does statute currently require such persons to keep and produce sales records. A pesticide dealer fee is \$150 with a \$75 surcharge for the spill response program ACRRA.

While the new initiative would require additional resources in the short-term, the MDA predicts improved reporting of pesticide sales in Minnesota and into Minnesota and corresponding fee collection would offset those costs and potentially lead to additional revenues for pesticide related work activities.

Most importantly, the change would create a more level marketplace for persons already in compliance with payment of the required fees and surcharges.

Similar pesticide regulatory fee revenue system and problems existed in state of Michigan, which recently passed similar licensing requirements for sale of agricultural pesticides as remedy.

Relationship to Base Budget

The Pesticide Regulatory Account currently has revenues and expenses of over \$5.5 million per year. The amount this initiative would add to the account is estimated to be small, but the level of change is uncertain because the amount of sales of pesticides into Minnesota by out of state distributors is unknown.

Key Goals and Measures

MDA will identify and license persons distributing agricultural pesticides in Minnesota and into Minnesota, in addition to those already identified and licensed to distribute Restricted Use Pesticides. MDA will increase its accuracy of total pesticide sales data for pesticides sold in Minnesota and into Minnesota.

Statutory Change: M.S. 18B.31

AGRICULTURE DEPT

Program: PROTECTION SERVICES

Change Item: Dairy & Food Reinspection Fees

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
Agricultural Fund				
Expenditures	\$37	\$37	\$37	\$37
Revenues	(37)	(37)	(37)	(37)
Net Fiscal Impact	\$0	\$0	\$0	\$0

Recommendation

The Governor recommends increasing the food handler and dairy facility re-inspection fees in order to recover more of the actual costs of re-inspection activities.

Background

Food Handlers

The purpose of the Food Handler re-inspection fee is to recover the cost of following up with food establishments that have critical public health violations to make sure the violations are corrected in a timely manner. It was also intended to cover the costs of conducting food recalls because of potential or actual adulteration or contamination of food products. An account was created in 1995 for this purpose of re-inspection. The current fee structure is insufficient to cover these costs. General fund budgets are redirected from routine inspections, training and outreach activities to support re-inspections. The last time this fee was raised was 2003.

This proposal would increase the re-inspection fee from \$75 to \$150 for an initial re-inspection of critical violations for any food handler with gross food sales under \$1 million and from \$100 to \$200 for any food handler with gross food sales of \$1 million or more. The fee for any subsequent re-inspections for the same violation will be 50 percent of their current license fee or \$300, whichever is greater. Based on previous re-inspections, the increase is estimated to raise an additional \$4,000 and will shift more of the cost of the re-inspection to the violator.

Dairy Facilities

The purpose of the Dairy farm re-inspection fee is to recover the cost of following up with a dairy farm to make sure that critical violations are corrected in a timely manner. The fees are deposited in the Dairy Services Account. Because the fees are not sufficient to cover operating costs for this activity, uncompensated general funds are also used. In FY 2007, the dairy program completed 610 re-inspections at \$45 for a total of \$27,450. If re-inspection numbers are static, this fee increase will generate approximately \$33,000. This proposal would increase the re-inspection fee from \$45 to \$100 for re-inspection of Grade A dairy farms.

Relationship to Base Budget

The re-inspection fee revenues are estimated to increase from \$8,000 per year to approximately \$12,000 per year. Dairy re-inspection fee revenues are estimated to increase from \$27,000 per year to approximately \$60,000 per year.

Key Goals and Measures

Maintaining the safety of our food supply is crucial to public health and homeland security. Maintaining consumer confidence in the food supply is vital for the economic well-being of the state's agriculture sector.

Statutory Change: M.S. 28A.085 and M.S. 32.394

AGRICULTURE DEPT

Program: PROTECTION SERVICES

Change Item: Pesticide Program Funding

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
Agricultural Fund				
Expenditures	\$2,170	\$2,170	\$2,170	\$2,170
Revenues	(2,770)	(2,770)	(2,770)	(2,770)
Net Fiscal Impact	\$(600)	\$(600)	\$(600)	\$(600)

Recommendation

The Governor recommends increasing the base pesticide registration fee from 4/10ths of 1% (.004) to 6/10ths of 1% (.006) and increasing the minimum product registration fee for non-agricultural pesticides by \$100 from \$250 to \$350. These fees have not been increased since 1991.

The Governor also recommends creating a dedicated Non-Agricultural Waste Pesticide Account (NAWPA) funded by a product registration surcharge imposed on all non-agricultural pesticides. This surcharge is an additional 6/10ths of 1% (.006).

Background

Base Fees

The Minnesota Department of Agriculture (MDA) is the lead agency for environmental and regulatory activities related to pesticides, and conducts a wide variety of pesticide-related programs. Legislative and public concerns and demands for services related to pesticides have significantly increased. A 2006 program audit by the Office of the Legislative Auditor (OLA) recommended increasing program activities to address public concerns. In addition, costs for many activities have increased.

The increased funding will be used to maintain current program activity in environmental, regulatory and laboratory services functions, and will increase staff resources and activities in areas such as:

- ◆ Registration;
- ◆ Investigation, incident response, and emergency management;
- ◆ Water Monitoring;
- ◆ Data management;
- ◆ Non-point source issues, including potential impairments;
- ◆ Implementing Office of Legislative Auditor (OLA) recommendations;
- ◆ Maintenance of lab capacity;
- ◆ Providing accurate technical input on pesticides in response to new programs and proposed rules and regulations from other state agencies.

Non-Agricultural Waste Pesticides Account (NAWPA)

Legislation passed in the 2008 session provides for reimbursement of costs for the collection of waste pesticides by county Household Hazardous Waste (HHW) collection programs. However, the funding mechanism to pay for these costs was not addressed. This initiative is intended to fund that program by creating a dedicated surcharge and account for non-agricultural pesticides. The fee structure for this program is designed so that the costs for collection and disposal are supported by the waste pesticide products that are most likely to be collected in residential collections by HHW programs.

The funding mechanism is similar to the successful Agricultural Chemical Response and Reimbursement Account (ACRRA) program. A produced registration surcharge will be imposed for all non-agricultural pesticides, and may be adjusted as required to pay the costs of the program. The initial surcharge will be 6/10ths of 1% (.006) of product sales.

Any pesticide that does not have agricultural worker protection requirements on the product label (the Ag Use Box) will be considered a non-agricultural pesticide and subject to the NAWPA surcharge.

Relationship to Base Budget

The increase in the base pesticide registration fee by 2/10ths of 1% should generate approximately \$1 million and the increase in the nonagricultural product registration fee from \$250 to \$350 should generate approximately \$900,000 for a total of \$1.9 million. Current pesticide registration revenue from all sources, including licenses, is approximately \$5.7 million.

The estimated increase in costs for waste pesticide collection and disposal based on requirements from the 2008 legislative session is \$800,000. Current program costs are \$400,000 for a total of approximately \$1.2 million per year. The proposed initial surcharge will generate approximately \$870,000. There are currently no fees or revenues generated specifically for this program.

Key Goals and Measures

Pesticide programs funded from these fees address a wide variety of issues related to pesticide use, misuse, storage, handling, environmental impacts and cleanup of spills. Many of these activities are tracked, such as: number of licenses issued; timing for issuing licenses; misuse cases investigated; sites cleaned up; and number of monitoring sites and water samples collected.

The waste pesticide program measures performance by the number of pounds of waste pesticides collected and disposed.

Statutory Change: M.S. 18B

AGRICULTURE DEPT

Program: PROTECTION SERVICES

Change Item: Wolf & Elk Damage Compensation

Fiscal Impact (\$000s)	FY 2010	FY 2011	FY 2012	FY 2013
General Fund				
Expenditures	\$50	\$50	\$50	\$50
Revenues	0	0	0	0
Net Fiscal Impact	\$50	\$50	\$50	\$50

Recommendation

The Governor recommends increasing base funding by \$50,000 each fiscal year for compensation to grain and livestock farmers who experience loss due to wolf and elk depredation.

Background

The wolf/elk compensation program was established to reimburse farmers for livestock lost to wolves (largely in the northern half of state) and crop damage due to elk (largely in the northwestern corner of state). The program has recently experienced financial shortfalls due to increasing populations of wolf and elk and the damage they are causing (e.g. calve kills by wolves and soybean field damage by elk).

In FY 2008, Minnesota Department of Agriculture (MDA) experienced a shortfall in this account and placed claims on hold until new funds were available in FY 2009. Starting in the new fiscal year, the MDA paid the pending claims. However, as of November 2008, the fund is completely exhausted and no more claims can be paid. Additional funds are needed to allow the payments to be made, as required by statute.

This is a cooperative program with Minnesota Department of Natural Resources (DNR) Conservation Officers and University of Minnesota Extension providing on-farm verification of losses and damage cost estimates. Wolf and elk conservation in Minnesota have been great successes. MDA's program to reimburse producers for losses caused by these animals helps contribute to this success by reducing the financial impact on producers in Minnesota.

This proposal also adds language to allow funds to carry over, as there are fluctuations in the claims submitted from year to year.

Relationship to Base Budget

This change would add \$50,000 per fiscal year from the general fund to the base budget of \$100,000 per year.

Key Goals and Measures

The goal of this program is to provide compensation to crop and livestock producers within a reasonable timeframe of actual loss.

Alternatives Considered

Not pay any claims until the end of the year, and then pro-rate reimbursement based on claims and available funds.

Statutory Change: M.S. 3.737

Program Description

The purpose of the Protection Services Program is to protect the state's citizens and environment by ensuring the quality, integrity, and safety of agricultural and horticultural products that are produced and used in Minnesota.

Budget Activities

- ◆ Pesticide and Fertilizer Management
- ◆ Plant Protection
- ◆ Dairy and Food Inspection
- ◆ Laboratory Services

AGRICULTURE DEPT
Program: PROTECTION SERVICES

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	0	368	368	368	736
Technical Adjustments					
One-time Appropriations			(368)	(368)	(736)
Subtotal - Forecast Base	0	368	0	0	0
Total	0	368	0	0	0
General					
Current Appropriation	14,655	13,528	13,528	13,528	27,056
Technical Adjustments					
Approved Transfer Between Appr			(311)	(311)	(622)
Transfers Between Agencies			(527)	(527)	(1,054)
Subtotal - Forecast Base	14,655	13,528	12,690	12,690	25,380
Governor's Recommendations					
Wolf & Elk Damage Compensation		0	50	50	100
Invasive Species Duties Reduction		0	(200)	(200)	(400)
Total	14,655	13,528	12,540	12,540	25,080
Remediation Fund					
Current Appropriation	388	388	388	388	776
Subtotal - Forecast Base	388	388	388	388	776
Total	388	388	388	388	776
Clean Water Fund					
Current Appropriation	0	0	0	0	0
Subtotal - Forecast Base	0	0	0	0	0
Governor's Recommendations					
CW Pesticide Monitoring and Assessment		0	325	350	675
CW Drinking Water Protection		0	375	750	1,125
CW Research, Projects, Assistance		0	875	1,750	2,625
Total	0	0	1,575	2,850	4,425
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	0	368	0	0	0
General	12,466	14,282	13,026	12,715	25,741
Remediation Fund	379	397	388	388	776
Clean Water Fund	0	0	1,575	2,850	4,425
Statutory Appropriations					
Miscellaneous Special Revenue	25	42	31	32	63
Agriculture Fund	15,439	18,118	19,466	19,256	38,722
Federal	4,484	7,508	6,768	6,996	13,764
Remediation Fund	941	2,373	2,373	2,373	4,746
Miscellaneous Agency	395	213	185	185	370
Gift	6	0	0	0	0
Total	34,135	43,301	43,812	44,795	88,607

AGRICULTURE DEPT

Program: PROTECTION SERVICES

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Expenditures by Category</u>					
Total Compensation	20,525	23,659	25,597	26,245	51,842
Other Operating Expenses	13,606	19,642	17,540	17,100	34,640
Payments To Individuals	4	0	0	0	0
Local Assistance	0	0	675	1,450	2,125
Total	34,135	43,301	43,812	44,795	88,607
<u>Expenditures by Activity</u>					
Pesticide & Fertilizer Mgmt	10,719	14,863	18,003	18,565	36,568
Plant Protection	5,918	7,090	6,631	6,681	13,312
Dairy & Food Inspection	9,744	12,323	11,289	11,355	22,644
Laboratory Services	7,754	9,025	7,889	8,194	16,083
Total	34,135	43,301	43,812	44,795	88,607
Full-Time Equivalent (FTE)	286.5	242.8	242.8	242.8	

Activity Description

Pesticide and Fertilizer Management (PFM) regulates pesticides and fertilizers within Minnesota including any matter relating to registration, labeling, distribution, sale, handling, use, application, or disposal. This encourages fair competition, quality assurances for customers as well as protection of human health and the environment. To accomplish this responsibility the division uses a range of regulatory and voluntary programs.

Population Served

All citizens of the state, producers, and agricultural industries benefit from PFM activities. PFM activities directly affect agriculture, and help provide protection of Minnesota's land and water resources. A significant amount of the regulated activities occur in urban areas since pesticide and fertilizer products are used on many kinds of property, including residential, commercial, public and private buildings and lands. The division works directly with other states and countries to facilitate uniform regulatory programs.

Services Provided

PFM has responsibilities in three categories:

- ◆ traditional pesticide and fertilizer regulation;
- ◆ water quality protection; and
- ◆ pesticide and fertilizer emergency response and remediation.

Regulatory strategies include education, training, monitoring, licensing, permitting, and promotion of voluntary practices along with inspection, investigation, and enforcement actions. In addition, the PFM division promotes voluntary best management practices (BMPs) for the protection of water quality.

The traditional mission of the division has been to ensure that pesticide and fertilizers were properly labeled and met legal criteria. This provided fair competition for the industry and guaranteed product quality for farmers and consumers. This mission is still important, but there is an increasing emphasis on water quality protection, product use and sale in urban areas. All tasks have become increasingly complex.

The division conducts a variety of fixed facility inspections for pesticides and fertilizers. Products are registered and individuals, sites and companies are certified, licensed or permitted. Education and compliance workshops update and communicate legal requirements or voluntary practices to clientele. Water quality monitoring is conducted for ground and surface waters. The division administers remediation and response to agricultural chemical incidents using state superfund or an industry-supported funding program. Additionally, the division facilitates property transfers by the oversight of environmental site assessments.

Activity at a Glance

- ◆ Implemented a single-entry, paperless, all-weather, electronic inspection and document management system for fertilizer and pesticide programs
- ◆ Issued nearly 30,000 licenses and certifications to pesticide applicators, dealers, and fertilizer companies
- ◆ Permitted over 1,100 chemigation (applying pesticides through an irrigation system) sites
- ◆ Registered 13,000 pesticide products
- ◆ Collected over 1,000 pesticide samples for water quality measurements such as trend analysis for ground and surface water in urban and rural areas of the state
- ◆ Processed 60 applications for \$2.39 million in reimbursements for agricultural chemical cleanups under the Agriculture Chemical Response and Reimbursement Account (ACRRA) program
- ◆ Obtained federal funds for an arsenic site remediation by achieving the listing on the national list of superfund sites
- ◆ Permitted over 600 ag chemical storage sites
- ◆ Certified 50 manure testing laboratories
- ◆ Responded to over 300 agricultural incidents such as chemical spills and anhydrous ammonia releases
- ◆ Surveyed over 4,000 producers and 1.8 million acres of corn, soybeans, wheat and hay for pesticide use
- ◆ Conducted 532 pesticide inspections.
- ◆ Registered nearly 3,350 Fertilizer, and Soil and Plant Amendment products
- ◆ Certified nearly 7,500 people annually to receive a pesticide applicator license or certification

Historical Perspective

Since the 1980s, public interest in environmental issues regarding pesticides and fertilizers has greatly increased. The revision of the Minnesota Pesticide Control Law in 1987 and the passage of the Comprehensive Groundwater Protection Act of 1989 resulted in significant and broad new responsibilities for the division. Programs such as waste pesticide collection, emergency response, superfund, agricultural chemical cleanup reimbursement, water quality monitoring, and increased applicator licensing and certification of applicators added not only a heavy workload but a changed focus to the services provided by the division. These programs also require highly technical and scientifically based regulatory action.

In late 2005, the MDA reorganized. Pesticide and fertilizers programs, formerly a significant component of the Agronomy and Plant Protection Division were separated into a single division and renamed the Pesticide and Fertilizer Management (PFM) division.

MDA has been a leader in developing programs that respond effectively to new challenges. Programs such as Agriculture Chemical Response and Reimbursement Account (ACRRA) program, waste pesticide collections, ground and surface water monitoring programs are nationally recognized for their effectiveness and innovation.

Key Activity Goals

- ◆ **Minnesota will have sustainable, strong economic growth.**
The agricultural sector drives the economy in much of the state. The sound regulation of pesticides and fertilizers support this economic growth by providing consumers with confidence in food quality and safety.
- ◆ **Minnesotans will conserve natural resources to give future generations a healthy environment and a strong economy.**
The promotion of BMP, the use of pesticides and fertilizer when needed and the regulatory oversight of the use, handling and storage of these materials benefit Minnesotans while providing the protection of human health and the environment.
- ◆ **Minnesotans will improve the quality of the air, water and earth.**
Pesticides and fertilizer are used in many ways to protect landscapes from pests and improve the quality of Minnesota's environment. The promotion of Best Management Practices, along with sound regulations on the use, handling and storage of these materials provide for the protection of the environment.

Key Activity Measures

Performance objectives that will be measured and used to evaluate effectiveness in the next biennium include the following.

- ◆ Pesticide license applications will be processed within seven business days of receipt of licensing application.
- ◆ The number of farms participating in nutrient demonstration sites will be increased by 10% each year.
- ◆ PFM will begin investigations the same or the next day for at least 80% of the pesticide misuse cases involving human or animal exposure, as recommended by the Office of the Legislative Auditor (OLA).
- ◆ 80% of routine pesticide misuse complaints will be processed within six months of notification.
- ◆ Waste pesticide collection operations will be coordinated with all 87 counties annually.
- ◆ Migration to a paperless inspection system will be completed.

Activity Funding

This activity receives the majority of its funding from pesticide and fertilizer fee revenues, deposited in and statutorily appropriated for their dedicated uses from the Agricultural Fund. In addition, this activity also receives some funding from other sources to support its activities such as federal grant money for the administration of the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA), other federal grants, state general funds and funds from the Remediation Fund for state superfund administration and projects.

AGRICULTURE DEPT

Program: PROTECTION SERVICES

Activity: PESTICIDE & FERTILIZER MANAGEMENT

Narrative

Contact

For additional information on this activity, please contact Greg Buzicky, Division Director, at (651) 201-6639 or Greg.Buzicky@state.mn.us

Information on this division's programs and staff can be found at the MDA website:
<http://www.mda.state.mn.us/about/divisions/pfmd.htm>

AGRICULTURE DEPT
Program: PROTECTION SERVICES
Activity: PESTICIDE & FERTILIZER MGMT

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	2,254	767	767	767	1,534
Subtotal - Forecast Base	2,254	767	767	767	1,534
Total	2,254	767	767	767	1,534
Remediation Fund					
Current Appropriation	388	388	388	388	776
Subtotal - Forecast Base	388	388	388	388	776
Total	388	388	388	388	776
Clean Water Fund					
Current Appropriation	0	0	0	0	0
Subtotal - Forecast Base	0	0	0	0	0
Governor's Recommendations					
CW Pesticide Monitoring and Assessment		0	325	350	675
CW Drinking Water Protection		0	375	750	1,125
CW Research, Projects, Assistance		0	875	1,750	2,625
Total	0	0	1,575	2,850	4,425
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	716	1,475	1,253	942	2,195
Remediation Fund	379	397	388	388	776
Clean Water Fund	0	0	1,575	2,850	4,425
Statutory Appropriations					
Miscellaneous Special Revenue	25	30	28	29	57
Agriculture Fund	8,158	9,906	11,421	11,096	22,517
Federal	500	682	965	887	1,852
Remediation Fund	941	2,373	2,373	2,373	4,746
Total	10,719	14,863	18,003	18,565	36,568
<u>Expenditures by Category</u>					
Total Compensation	5,671	6,718	9,227	9,630	18,857
Other Operating Expenses	5,048	8,145	8,101	7,485	15,586
Local Assistance	0	0	675	1,450	2,125
Total	10,719	14,863	18,003	18,565	36,568
Full-Time Equivalents (FTE)	70.9	50.1	50.1	50.1	

Activity Description

Plant Protection Division (PPD) regulates seed, noxious weeds, nursery stock, invasive/exotic pests and apiaries. Division staff also provides inspection and certification services for fruit and vegetables, and agricultural products for export. In addition, PPD is responsible for survey, monitoring and eradication of new plant pests. This ensures that we promote and encourage global trade and at the same time protect our agricultural crops and our natural environment from unwanted exotic or invasive plant pests that are an unwelcome byproduct of global commerce. Concurrently, importers or consumers of Minnesota agricultural products and commodities demand assurance or official certification that Minnesota products meet certain prescribed standards and requirements.

Population Served

All citizens of the state, and especially producers, consumers, processors, exporters and agricultural and forestry industries, benefit from PPD activities. PPD activities directly affect agriculture and the protection of environmental resources statewide, including our urban areas. In addition, the division works directly with other states and countries to facilitate global trade through regulatory and export certification programs.

Services Provided

PPD has diverse responsibilities in several categories:

- ◆ Certification of agricultural commodities for export
- ◆ Nursery dealer and grower inspection/certification
- ◆ Seed inspection and sampling
- ◆ Fruit and vegetable inspection services
- ◆ Potato inspection services including seed potato inspection and certification
- ◆ Plant pest exclusion and regulation
- ◆ Apiary inspection services
- ◆ Food Safety Audits

The mission of the division is to protect the quality of Minnesota's agriculture, agricultural products and natural resources from plant pests, invasive species and noxious weeds using sound plant protection and certification measures. Minnesota agricultural and natural resources are continually under threat from new and existing pest species such as soybean rust, gypsy moth, potato cyst nematode, emerald ash borer, sudden oak death and invasive plant species. To face these challenges, regulatory strategies include education, training, monitoring, licensing, certifying and promotion of voluntary practices along with survey, monitoring, inspection and enforcement actions.

The division conducts a variety of facility inspections for seed and plant pests. Products are registered and individuals, companies, nursery stock and export products are certified, licensed or permitted. Education and compliance agreement training sessions update and communicate legal requirements or voluntary practices to clientele. Invasive pest species are extensively monitored. Increasingly, the division also directly protects Minnesota's natural resources through control of pests such as the gypsy moth.

Inspection programs provide unbiased determinations of the quality and quantity of produce, ensuring that they are fairly reflected in prices to consumers.

Activity at a Glance

- ◆ Serves the potato industry, supplying processors, growers and consumers by protecting the \$100 million crop from plant pests.
- ◆ Serves 120-150 producers and exporting firms by issuing over 3,000 export certificates annually for agricultural products moving worldwide.
- ◆ Inspects 7,000 – 8,000 acres of nursery stock, and 8,000 retail outlets annually for agricultural, flower, vegetable and tree seed quality.
- ◆ Inspects and certifies 35 million pounds of imported fruits and vegetables and six million pounds of export fruits and vegetables.
- ◆ Tests 1,500 official seed samples to enforce label accuracy for more than 500 labelers offering over 40,000 lots of seed for sale annually.
- ◆ Implements pest survey and monitoring programs to provide activities such as reducing gypsy moth populations on 85,000 acres in 2008.

Historical Perspective

The Minnesota Department of Agriculture has maintained and administered numerous plant protection programs and services since the early 1900s. These early services and programs included seed and grain inspection, apiary inspection, weed management, and potato certification. These core programs and services continue to be central to the mission of the Plant Protection Division. With the rapidly growing international economy and increasingly mobile population the role of the Plant Protection Division has also expanded.

Staff entomologists, plant pathologists and horticulturalists are increasingly challenged to protect Minnesota's industries and natural resources by monitoring for and combating plant pests such as gypsy moth, emerald ash borer, soybean rust and karnal bunt as well as conducting field inspections and certifying the pest-free status of shipments of a wide variety of products for interstate and foreign markets.

Key Activity Goals

The activities conducted by the Plant Protection Division support the following MDA goals:

- ◆ **Protect the Safety of the food supply from farm to consumer.**
- ◆ **Improve marketability of Minnesota's agricultural products.**

These activities also support the Minnesota Milestones goal that Minnesota will have sustainable, strong economic growth.

Key Measures

Performance objectives that will be measured and used to evaluate effectiveness in the next biennium include the following:

- ◆ A minimum of 15,000 Gypsy moth traps will be set annually and gypsy moth eradication treatments will be conducted in all locations where such actions are shown to be necessary by trapping results.
- ◆ More than 1,000 survey and detection traps will be set for invasive species such as emerald ash borer and containment and eradication efforts will be immediately implemented if an infestation is detected.
- ◆ Sampling of Minnesota seed potato acres will be increased to more than 50% of seed potato acreage to verify and ensure that Minnesota is free of the exotic potato cyst nematode
- ◆ Inspection and certification services will be provided for more than five million pounds of fruits and vegetables exported to Canada.
- ◆ More than nine million pounds of fresh and seed potatoes will be inspected and certified.
- ◆ 100 percent of all growers and receivers will be provided with requested audits of their food handling practices.
- ◆ Inspection services will be provided and up to 3,000 commodity export certificates will be issued for up to 60 countries within three days of receipt of a request.
- ◆ Seed performance complaints will be investigated within five business days of receipt and truthfulness of seed labeling will be enforced.

Activity Funding

This activity receives approximately half of its funding from seed, nursery, potato, fruit and vegetable fee revenues, deposited in accounts statutorily appropriated for their dedicated uses from the agricultural fund. The balance of the budget comes from the general fund and federal grants.

Contact

For additional information on this activity, please contact Geir Friisoe, Division Director, at (651) 201-6174 or geir.friisoe@state.mn.us.

Information on this activity's programs and staff can found on the MDA website at <http://www.mda.state.mn.us/about/divisions/plantprotection.htm>.

AGRICULTURE DEPT
Program: PROTECTION SERVICES
Activity: PLANT PROTECTION

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	2,421	2,468	2,468	2,468	4,936
Technical Adjustments					
Approved Transfer Between Appr			(103)	(103)	(206)
Subtotal - Forecast Base	2,421	2,468	2,365	2,365	4,730
Governor's Recommendations					
Wolf & Elk Damage Compensation		0	50	50	100
Invasive Species Duties Reduction		0	(200)	(200)	(400)
Total	2,421	2,468	2,215	2,215	4,430
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	2,317	2,572	2,215	2,215	4,430
Statutory Appropriations					
Agriculture Fund	2,758	2,977	3,015	3,076	6,091
Federal	843	1,541	1,401	1,390	2,791
Total	5,918	7,090	6,631	6,681	13,312
<u>Expenditures by Category</u>					
Total Compensation	4,029	4,679	4,449	4,498	8,947
Other Operating Expenses	1,889	2,411	2,182	2,183	4,365
Total	5,918	7,090	6,631	6,681	13,312
Full-Time Equivalents (FTE)	67.2	54.9	54.9	54.9	

Activity Description

As the primary food safety agency in Minnesota, the MDA's Dairy and Food Inspection Division (DFID) is responsible for carrying out the first part of MDA's mission - ensuring the integrity of the food supply. This includes animal feed, dairy products, food products, meat, shell eggs, and poultry. DFID accomplishes this mission through regulatory inspections and enforcement, surveillance sampling, special investigations, consumer protection, and educational outreach. The goal of these food safety programs is to prevent the sale or consumption of adulterated food, animal feed, meat, shell eggs, poultry and dairy products and to heighten awareness of proper bio-security and food safety practices.

Population Served

Consumers, producers, processors and retailers of Minnesota dairy, food, poultry, egg and meat products benefit by these food protection programs.

Services Provided

Food Inspection Regulatory Program:

The purpose of our inspection is to examine and validate a food facility's processes and procedures to ensure that the facility is producing safe food when the inspector is not present. How often a facility is inspected depends on the food safety risk of the facilities food handling activities (high, medium or low).

In addition, food inspectors work with Minnesota Department of Health (MDH) epidemiologists to investigate food-borne illness outbreaks. For example, DFID traced the source of a *Salmonella St. Paul* jalapeno pepper outbreak to a producer in Mexico. They also work with the industry and the public on food recalls originating in Minnesota or elsewhere and work to verify that recalled products have been removed from sale. The inspectors respond to emergencies such as floods, fires, and truck rollovers to determine if the affected food is safe and wholesome, and to prevent damaged and contaminated goods from reaching the public. This program also investigates pesticide misuse cases involving food and food crops

Commercial Feed Inspection Program:

The program regulates commercial feed distribution so that purchasers of commercial feed are protected and the health of animals consuming the feed is assured. The commercial feed program also regulates drugs in animal feeds, and the prohibition of animal proteins from ruminant feeds, contaminants in feed such as dioxins and mycotoxins and unapproved ingredient use.

Dairy Inspection Program:

Dairy inspectors routinely inspect and take samples from 4,444 dairy farms, 446 bulk milk trucks, 475 haulers, and 67 plants, to make sure all milk and dairy products are produced and handled safely. Inspectors also test pasteurizer equipment for proper operation, certify bulk milk hauler samples, review labels for accuracy, work with farmstead cheese processors, and provide information to dairy farmers and processors to help keep them current with the latest food safety laws and regulations.

Meat, Poultry and Shell Egg Inspection Program:

The meat, poultry, and shell egg inspection program conducts inspections at small meat and poultry processors that manufacture products for wholesale distribution and provide grading services for eggs packed in the state. State-inspected meat and poultry products are produced under a Cooperative Agreement with the U.S. Department of Agriculture (USDA). This program is referred to as having an "equal to" USDA inspection program.

Activity at a Glance

For Fiscal Year 2008

- ◆ Inspected 4,444 dairy farms, 446 bulk milk trucks, 475 haulers, and 67 plants;
- ◆ Inspected 1,371 food processing plants and 5,885 retail food stores;
- ◆ Certified 3,647 dairy samples;
- ◆ Issued 1,244 Certificates of Free Sale for export;
- ◆ Inspected 63 meat and poultry plants, 185 custom exempt plants and 20 egg grading facilities;
- ◆ Conducted 617 BSE inspections;
- ◆ Inspected 30 federally-licensed mills;
- ◆ Conducted 26 tissue residue trace-backs;
- ◆ Collected 181 feed samples for analysis.

Compliance:

The compliance section supports the dairy, food, animal feed and meat, poultry and shell egg inspection programs in law enforcement and compliance activities. These activities include special projects and investigations, reviewing plans for new and remodeled facilities, and training inspectors, industry, and consumers on the latest food safety issues. Many of the projects and training efforts are developed in partnership with the MDH, the University of Minnesota, local health agencies and representatives of the food or dairy industry.

Key Activity Goals

- ◆ **Minnesota Milestones Goal: Minnesotans will be healthy.**
- ◆ **MDA goal: Protect the safety of the food supply from farm to consumer.**
Maintaining the safety of our food supply is crucial to public health and homeland security.
- ◆ **Minnesota Milestones Goal: Minnesota will have sustainable, strong economic growth.**
Maintaining consumer confidence in the food supply is vital for the economic well-being of the state's agriculture sector.

Key Activity Measures

Performance objectives that will be measured and used to evaluate effectiveness in the next biennium include the following:

- ◆ The Compliance Information System for Dairy and Food Inspection Programs will be deployed.
- ◆ A manufactured food regulatory program standards self-assessment will be conducted.

Activity Funding

This activity receives the large part of its funding from the general fund. Feed, dairy and food inspection fees, deposited in and statutorily appropriated for their dedicated uses from the agricultural fund, also provide significant funding. Federal grants are also an important source of funding.

Contact

Additional information about dairy and food inspection activities are also available on the MDA's website at <http://www.mda.state.mn.us/about/divisions/dairyfood.htm>, and the Dairy and Food Inspection main information line at (651) 201-6027.

AGRICULTURE DEPT
Program: PROTECTION SERVICES
Activity: DAIRY & FOOD INSPECTION

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	6,298	6,442	6,442	6,442	12,884
Technical Adjustments					
Approved Transfer Between Appr			(166)	(166)	(332)
Transfers Between Agencies			(527)	(527)	(1,054)
Subtotal - Forecast Base	6,298	6,442	5,749	5,749	11,498
Total	6,298	6,442	5,749	5,749	11,498
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	5,783	6,309	5,675	5,675	11,350
Statutory Appropriations					
Miscellaneous Special Revenue	0	12	3	3	6
Agriculture Fund	2,448	3,044	2,982	3,033	6,015
Federal	1,350	2,958	2,629	2,644	5,273
Miscellaneous Agency	157	0	0	0	0
Gift	6	0	0	0	0
Total	9,744	12,323	11,289	11,355	22,644
<u>Expenditures by Category</u>					
Total Compensation	7,123	8,105	7,793	7,969	15,762
Other Operating Expenses	2,617	4,218	3,496	3,386	6,882
Payments To Individuals	4	0	0	0	0
Total	9,744	12,323	11,289	11,355	22,644
Full-Time Equivalents (FTE)	96.7	89.8	89.8	89.8	

Activity Description

The Laboratory Services Division (Lab) provides analytical support and data critical to the protection of Minnesota’s food supply, agricultural industry, and environment. Scientifically and legally defensible analyses support the Minnesota Department of Agriculture (MDA) regulatory programs as well as programs of other agencies.

Population Served

The laboratory protects Minnesota citizens and those who use Minnesota agriculture or agricultural products by contributing to the safety and security of our food supply, and by protecting the environment from misuse of agricultural chemicals. Through partnerships, we serve the entire nation as we work with other states and federal agencies to identify and address problems of national concern and work to ensure the wholesomeness of Minnesota’s food exports.

Services Provided

Laboratory Services performs chemical, microbiological, and physical analyses of food, dairy products, beverages, water, fertilizer, lime, feed, seed, plant material, pesticides, pesticide residues, and grain. These tests support the inspection and enforcement activities of the MDA’s regulatory divisions. We also determine product quality and conformance to state and federal laws and regulations, and provide evidence in legal proceedings involving alleged violators of those laws. This activity provides routine analyses to ensure that products meet legally mandated quality standards and provides for forensic analysis to identify unknown agents in a suspect product or environmental matrix.

The Laboratory Services Division maintains a core emergency technology and analytical response capability that spans the spectrum of laboratory services for food and agriculture samples associated with protecting and defending the food supply and the environment. Maintenance of this core capability is essential for MDA’s ability to respond to emergencies and other unique, emerging issues that affect public health and the economic well being of Minnesota’s food and agriculture sector.

Our lab’s special analytical testing also gives the department rapid and accurate data to use in responding to environmental and food-borne crises, such as contaminated ground beef and produce. The Lab develops and maintains new analytical capabilities as new problems or questions arise within the feed, food, and agrochemical industry. We also consult on analytical issues with inspectors, managers, private analytical laboratories, and regulated industries.

In addition to our services for MDA’s regulatory programs, MDA’s Laboratory Services Division is the primary laboratory providing analyses to the Minnesota Department of Natural Resources (DNR). We also provide testing for the U.S. Department of Agriculture (USDA), the Food and Drug Administration (FDA), the Environmental Protection Agency (EPA), and other federal and state agencies. The Lab also administers a laboratory certification program for private and commercial testing laboratories as required for the interstate shipment of milk.

Historical Perspective

Laboratory Services has served Minnesotans since 1887. The lab’s first duty was to oversee our state’s dairy industry. Over the years our services have grown to include seed quality analysis and more complicated analytical services such as microbiological, chemical, and plant analysis of seed, feed, food, and dairy products. The 1989 groundwater protection legislation created a special need to expand the lab’s analytical capabilities and technology to include testing for a wide variety of pesticides and other agricultural chemicals. In 1995, the state

Activity at a Glance

The Laboratory Services Division is structured to provide diverse analytical services to help ensure food safety/security while protecting the agriculture industry and our environment.

Laboratory Structure:

- ◆ Biological Analyses
 - ⇒ Microbiology
 - ⇒ Plant Pathology/Seed

- ◆ Chemical and Toxicological Analyses
 - ⇒ Environmental Chemistry
 - ⇒ Toxicology and Chemistry

integrated DNR’s analytical services into MDA’s operations. This allowed DNR to close two laboratories while still having access to the quality laboratory data required for decision making. The closure of the FDA’s Minneapolis lab in 1999 led to the co-location of federal FDA staff with MDA staff, bringing additional expertise and partnerships to the laboratory.

In November 2005, the Laboratory Services Division moved to new lab facilities, co-located with the Minnesota Health Department’s (MDH’s) laboratory. This co-location enhanced and expanded the strong, unique partnership that already existed between MDA and MDH. This strengthened relationship gives Minnesota increased capacity to address emerging food safety and defense concerns. In 2006 the legislature approved construction of additional lab improvements to create a new BSL 3-Ag facility, which was completed in 2007. Laboratory Services continues to work closely with FDA and USDA through the National Food Emergency Response Network (FERN) and other programs to assist in development and applied science validation of new technologies for emergency response analysis of food and agriculture samples. These activities enhance the department’s ability to respond to issues that arise in or impact Minnesota citizens.

Key Activity Goals

The activities carried out by the Laboratory Services Division support a diverse spectrum of goals set by the state as Minnesota Milestones:

- ◆ **Minnesotans will be healthy.**
We are the primary food safety and security laboratory for the state. The lab supports the food inspection activities of the department and responds to food-borne disease outbreaks from pathogens such as e-coli and salmonella, as seen by the 2008 outbreak of *salmonella st. paul* in peppers. We also deal with chemical contaminants such as heavy metals and the melamine in pet and human food incidents. Laboratory data produced by the lab are often vital for regulatory decision making.
- ◆ **Minnesotans will improve the quality of the air, water and earth.**
The laboratory provides data on the environmental fate of agricultural chemicals and their by-products for use by MDA’s regulatory divisions. These include pesticide residues and nitrates in water along with soil and other environmental samples. These data are required to support decisions on best management practices and may influence regulatory actions.
- ◆ **Minnesota will have sustainable, strong economic growth.**
The agricultural sector drives the economy in much of the state. The activity of the Laboratory Services Division helps protect the process from farm to table and ensures consumer confidence in the system, to produce high quality products, while safeguarding the environment.

Key Measures

Performance objectives that will be measured and used to evaluate effectiveness in the next biennium include the following:

- ◆ A Customer/Laboratory “contract” that clearly defines expectations between both parties will be instituted.
- ◆ Benchmarks for critical business needs in the areas of quality, timeliness and costs through the Customer/Laboratory “contract” process will be established.
- ◆ Customer satisfaction will be measured using a survey that captures critical business program needs.

Activity Funding

The general fund is a core source of funding for this service. Pesticide, fertilizer, seed, feed, dairy and food inspection fees provide revenue to pay for lab work performed for each area. Federal grants are also an important source of funding.

Contact

For additional information on this activity, please contact Gary Horvath, Interim Division Director, at (651) 201-6563 or Gary.Horvath@state.mn.us

Information on this activity’s programs and staff can be found at the MDA website:
<http://www.mda.state.mn.us/about/divisions/lab.htm>.

AGRICULTURE DEPT
Program: PROTECTION SERVICES
Activity: LABORATORY SERVICES

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	0	368	368	368	736
Technical Adjustments					
One-time Appropriations			(368)	(368)	(736)
Subtotal - Forecast Base	0	368	0	0	0
Total	0	368	0	0	0
General					
Current Appropriation	3,682	3,851	3,851	3,851	7,702
Technical Adjustments					
Approved Transfer Between Appr			(42)	(42)	(84)
Subtotal - Forecast Base	3,682	3,851	3,809	3,809	7,618
Total	3,682	3,851	3,809	3,809	7,618
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	0	368	0	0	0
General	3,650	3,926	3,883	3,883	7,766
Statutory Appropriations					
Agriculture Fund	2,075	2,191	2,048	2,051	4,099
Federal	1,791	2,327	1,773	2,075	3,848
Miscellaneous Agency	238	213	185	185	370
Total	7,754	9,025	7,889	8,194	16,083
<u>Expenditures by Category</u>					
Total Compensation	3,702	4,157	4,128	4,148	8,276
Other Operating Expenses	4,052	4,868	3,761	4,046	7,807
Total	7,754	9,025	7,889	8,194	16,083
Full-Time Equivalents (FTE)	51.7	48.0	48.0	48.0	

Program Description

The purpose of the Agricultural Marketing and Development Program is to bolster our agricultural sector's economic and environmental health by providing quality marketing services, technical resources, and economic stimulus.

Budget Activities

- ◆ Agricultural Marketing Services
- ◆ Agricultural Development and Financial Assistance

AGRICULTURE DEPT

Program: AG MARKETING & DEVELOPMENT

Program Summary

	<i>Dollars in Thousands</i>				
	Current FY2008	FY2009	Governor Recomm. FY2010	FY2011	Biennium 2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	8,042	5,461	5,461	5,461	10,922
Technical Adjustments					
Approved Transfer Between Appr			396	396	792
Subtotal - Forecast Base	8,042	5,461	5,857	5,857	11,714
Governor's Recommendations					
Promotional Activity Reduction		0	(97)	(97)	(194)
Invasive Species Duties Reduction		0	(421)	(421)	(842)
Grants and Administration Reduction		0	(100)	(100)	(200)
Total	8,042	5,461	5,239	5,239	10,478
Clean Water Fund					
Current Appropriation	0	0	0	0	0
Subtotal - Forecast Base	0	0	0	0	0
Governor's Recommendations					
CW Ag BMP Loan Program		0	1,500	3,000	4,500
Total	0	0	1,500	3,000	4,500
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	110	111	0	0	0
General	4,330	5,404	4,569	4,569	9,138
Clean Water Fund	0	0	1,500	3,000	4,500
Statutory Appropriations					
Clean Water Revolving Fund	0	0	4,331	5,105	9,436
Miscellaneous Special Revenue	244	631	681	754	1,435
Agriculture Fund	1,508	1,526	1,509	1,499	3,008
Federal	523	487	775	746	1,521
Rural Finance Administration	0	0	500	500	1,000
Miscellaneous Agency	21	31	30	2	32
Gift	51	109	20	10	30
Total	6,787	8,299	13,915	16,185	30,100
<u>Expenditures by Category</u>					
Total Compensation	3,941	4,437	4,268	4,421	8,689
Other Operating Expenses	2,472	3,316	2,663	2,451	5,114
Payments To Individuals	0	87	85	85	170
Local Assistance	353	339	163	124	287
Other Financial Transactions	21	120	6,736	9,104	15,840
Total	6,787	8,299	13,915	16,185	30,100
<u>Expenditures by Activity</u>					
Ag Marketing Services	3,714	3,817	3,485	3,409	6,894
Ag Develop & Financial Assist	2,963	4,371	10,430	12,776	23,206
Agri Resources Management	110	111	0	0	0
Total	6,787	8,299	13,915	16,185	30,100
Full-Time Equivalentents (FTE)	56.3	53.1	53.1	53.1	

Activity Description

Agricultural Marketing Services (AMS) assists in the orderly marketing of Minnesota's agricultural commodities and products; promotes Minnesota agricultural products in domestic and international markets; furnishes information and economic analyses related to marketing opportunities; provides promotional, informational and other marketing services for agricultural producers, processors, consumers, and others involved in the marketing process; and protects producers through programs related to the licensing, bonding, and certification in the sale and storage of agricultural products.

Population Served

AMS serves grain, livestock, vegetable, fruit, poultry and dairy producers, agri-businesses, manufacturers, processors, distributors, retailers, and exporters by protecting and promoting Minnesota agriculture. Consumers and other end users benefit from the introduction and promotion of fresh, high-quality Minnesota agricultural products.

Services Provided

AMS helps diversify agriculture in Minnesota by:

- ◆ Promoting overseas market development with the collaborative efforts of the U.S. Department of Agriculture (USDA) as well as state and regional trading groups that promote both branded and generic activities at international trade exhibitions;
- ◆ Promoting Minnesota agricultural products in international markets through relationships with product end-users in global markets;
- ◆ Helping develop the state's bio-science sector by providing assistance to Minnesota stakeholders on bio-processing/bio-manufacturing projects, and by partnering with the University of Minnesota and the Minnesota Department of Employment and Economic Development (DEED) on bio-energy initiatives;
- ◆ Helping Minnesota-Certified producers boost profits by differentiating their products using International Standards Organization (ISO) certification mechanisms;
- ◆ Supporting dairy and livestock development, so the state can maintain productivity in animal agriculture and maintain a diverse agricultural economy;
- ◆ Supporting renewable fuel production and use, so Minnesota can use home-grown, renewable resources to produce alternative fuels that boost our economy, reduce air pollution and lessen dependence on imported fossil fuels;
- ◆ Promoting farmers markets, so producers and consumers can enjoy the economic and nutritional benefits of farm-fresh, locally grown produce; and
- ◆ Promoting Minnesota Grown products, so consumers can more easily identify and buy Minnesota Grown produce and products.

AMS protects producers by licensing, bonding, inspecting, and auditing:

- ◆ grain buyers and grain storage elevators;
- ◆ livestock dealers, markets and agents; and
- ◆ wholesale produce dealers.

Activity at a Glance

This activity:

- ◆ Helps producers and agribusinesses add value to agricultural products by facilitating and capitalizing on marketing opportunities.
- ◆ Improves the global reach of Minnesota agricultural products by researching international markets and establishing contacts with end users in those markets.
- ◆ Protects producers of agricultural products by licensing, bonding, and auditing persons and companies that buy grain, livestock and wholesale produce; and accurate weighing of livestock. The Division licenses 417 livestock dealers, markets, processors and agents, 113 wholesale produce dealers and 411 warehouse companies, grain elevator companies and grain dealers at 1002 locations. The division weighs over 4.3 million head of livestock a year.
- ◆ In the current biennium, Agricultural Marketing Services participated in 11 international food shows, 86 international trade events, received 637 visitors from 60 countries established 1,016 contacts with new buyers, made 23 first sales to new markets and increased Minnesota exports sales by \$44 million.

AMS helps commodity growers by overseeing the operations of the state's 12 commodity promotion and research councils.

Historical Perspective

As Minnesota farmers' productivity has outpaced the demands of our population, the need for stronger efforts to add value and effectively market Minnesota's agricultural products has also increased. The globalization and consolidation of agriculture within the rapidly evolving global marketplace means family farmers and local agri-businesses benefit greatly from expert assistance in marketing their products locally, nationally, and internationally. AMS has the responsibility to promote Minnesota agricultural products in global markets and, in conjunction with DEED, has a special focus on the Minnesota – China Partnership. AMS helps Minnesota consumers and producers connect locally through the Minnesota Grown program and AMS connects Minnesota producers and agri-businesses with the world by facilitating the increased export of Minnesota's high-value food and agricultural products. Licensing, bonding, and auditing programs are more important than ever when sellers and buyers are no longer neighbors but strangers separated by thousands of miles. Producers in this fast-changing landscape receive information about their rights under Minnesota and federal law.

Key Activity Goals

The activities AMS conducts support several goals set by the state as Minnesota Milestones, including the following:

- ◆ **Minnesota will have sustainable, strong economic growth.**
- ◆ **Rural areas, small cities and urban neighborhoods throughout the state will be economically viable places for people to live and work.**

Key Measures

Performance objectives that will be measured and used to evaluate effectiveness in the next biennium include the following.

- ◆ Participation in Minnesota Grown directory will increase by 10%.
- ◆ The quantity of distributed point-of-service materials for the Minnesota Grown program will increase by 10%.
- ◆ The number of unique visitors to the Minnesota Grown website will increase by 50% each year.
- ◆ Licensing and bonding requests will be processed within five business days of receipt.
- ◆ Agricultural exports to China will expand by 50%.
- ◆ Agricultural exports into two new markets in Southeast Asia will be expanded.
- ◆ The number of livestock units in Minnesota will increase by 5%.
- ◆ At least 150 farms will be assisted in making growth-oriented improvements.

Activity Funding

This activity receives the largest part of its funding from the general fund. Fees for various certification and promotion activities, deposited in and statutorily appropriated for their dedicated uses from the agricultural fund, also provide significant funding.

Contact

For additional information on this activity, please contact Kurt Markham, Division Director, at (651) 201-6382 or Kurt.Markham@state.mn.us

Information on this activity's programs and staff can be found on the MDA website: www.mda.state.mn.us/about/divisions/agmktg.htm

AGRICULTURE DEPT
Program: AG MARKETING & DEVELOPMENT
Activity: AG MARKETING SERVICES

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	1,947	1,888	1,888	1,888	3,776
Subtotal - Forecast Base	1,947	1,888	1,888	1,888	3,776
Governor's Recommendations					
Promotional Activity Reduction		0	(97)	(97)	(194)
Total	1,947	1,888	1,791	1,791	3,582
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	1,730	1,733	1,605	1,605	3,210
Statutory Appropriations					
Miscellaneous Special Revenue	143	252	130	114	244
Agriculture Fund	1,508	1,526	1,509	1,499	3,008
Federal	289	228	203	181	384
Miscellaneous Agency	21	31	28	0	28
Gift	23	47	10	10	20
Total	3,714	3,817	3,485	3,409	6,894
<u>Expenditures by Category</u>					
Total Compensation	2,156	2,367	2,168	2,236	4,404
Other Operating Expenses	1,337	1,231	1,180	1,099	2,279
Payments To Individuals	0	1	0	0	0
Local Assistance	200	187	109	74	183
Other Financial Transactions	21	31	28	0	28
Total	3,714	3,817	3,485	3,409	6,894
Full-Time Equivalent (FTE)	31.4	29.6	29.6	29.6	

Activity Description

The Ag Development and Financial Assistance (ADFA) Division supports the success and innovation of farmers, ag businesses and their positive impact on communities through programs focused on environmental quality, land use, alternative agricultural practices and systems, and entrepreneurial and value-added agriculture. The Division:

- ◆ Sponsors and conducts research, development, and demonstration projects
- ◆ Provides tools, outreach, and technical assistance
- ◆ Provides financial assistance
- ◆ Participates in policy discussions

Population Served

This activity serves all agricultural producers, agricultural professionals, local government officials, processors, suppliers, and the general public.

Services Provided

Today's producers face challenges and opportunities, including land-use pressures and conflicts, needs for increased environmental stewardship, and a rapidly changing ag economy and marketplace. The ADFA Division addresses these challenges and opportunities by:

- ◆ **Sponsoring and conducting research, development, and demonstration projects.** Working with individuals, organizations and the University of Minnesota, examples include on-farm research and demonstration on cover cropping, grazing, and conservation drainage, development of methods to target agricultural practices to the most appropriate landscapes, and innovative practices supported by sustainable agriculture grants.
- ◆ **Providing tools, outreach, and technical assistance.** Examples include grazing plan assistance, notifications about upcoming meetings and activities such as Conservation Update electronic newsletters and electronic notifications of Total Maximum Daily Loads (TMDLs) and water plans, publications such as the annual Greenbook and organic business management reports, conferences such as the annual Minnesota Organic Conference, agricultural land preservation outreach and assistance, information and technical assistance on agricultural diversification, genetically engineered organisms, sustainable agriculture, organic agriculture (including certification), integrated pest management (IPM) and biocontrol for horticultural crops and weeds, and management of biocontrol and plant pathology quarantine facility services with the University of Minnesota.
- ◆ **Providing financial assistance.** Specific programs including the following.
 - ⇒ Minnesota Rural Finance Authority (RFA) programs funded with state bonds: Basic Farm loans and Seller Assisted loans for beginning farmers, Ag Improvement loans for ag facilities improvements, Restructure loans for debt reorganization, and Livestock Expansion loans for the construction or installation of improvements to livestock production operations;
 - ⇒ RFA programs funded with revolving loan accounts: Livestock Equipment loans to finance livestock equipment purchases, Value-Added Stock loans to farmers buying stock in ag product processing facilities, Disaster Recovery loans for recovery from floods, drought, and other incidents covered by disaster declarations, and Methane Digester loans to finance systems that will utilize manure to produce electricity;
 - ⇒ the federal Agricultural Development Bond (Aggie Bond) Program, which uses no state funds but authorizes tax incentives to lenders to make loans for land, improvements, livestock and machinery;
 - ⇒ the Ag Best Management Practices (AgBMP) Loan Program, supported by revolving funds from MDA and the Public Facilities Authority;

Activity at a Glance

- ◆ On-farm research and demonstration projects on cover crops with nine cooperators, and eight conservation drainage projects.
- ◆ 317,957 acres are protected with agricultural land preservation covenants and 50% increase in organic farmland between 2000 and 2005.
- ◆ Minnesota Organic Conference attended by 425 people, 50 presentations, displays, field days or on-farm demonstrations, and 34 publications distributed to approximately 13,000 persons, and 100,000 visits made to ADFA web pages.
- ◆ Plant Pathology Containment facility construction completed and facility licensed for use.
- ◆ \$190 million in RFA loans to 2,741 farmers, 9,022 AgBMP Loan Program projects totaling \$125 million and organic certification cost share to 354 farmers and businesses.

AGRICULTURE DEPT

Program: AG MARKETING AND DEVELOPMENT

Activity: AG DEVELOPMENT & FINANCIAL ASSISTANCE

Narrative

- ⇒ the Sustainable Agriculture Grant and Loan Programs;
- ⇒ organic cost-share payments; and
- ⇒ the Livestock Investment Grant Program, established in FY 2009 and funded with a \$1 million appropriation from the general fund, to assist in the improvement or expansion of livestock production facilities by providing up to 10% of the cost of the improvements.

- ◆ **Participating in policy discussions and providing information.** The Division provides staff support to the Clean Water Council, is Technical Representative to the Environmental Quality Board, interacts with other environmental and land-use policy-making activities, reviews environmental assessments, comments on local planning efforts by request, and develops mitigation measures for energy transmission projects affecting agriculture. Information is provided to other parts of the MDA, other agencies, and stakeholders.

Key Activity Goals

- ◆ **MDA Goal: Promote environmentally friendly agricultural practices.**
- ◆ **MDA Goal: Improve marketability of Minnesota's agricultural products.**

The Division's activities support these goals in the following ways:

- ⇒ Through participating in policy discussions, particularly on environmental quality and land use, the Division is able to keep abreast of current issues, ensure that agricultural perspectives are taken into consideration, and inform policy-makers of relevant research and development.
- ⇒ Through research, development, and demonstration projects, the Division fosters and promotes new and innovative solutions to address environmental and land-use issues and meet emerging market needs.
- ⇒ Through tools, outreach, and technical assistance, the Division is able to transfer innovative practices to the agricultural sector, encourage policy decisions that support the development of agriculture, inform the agricultural community and the public about important issues affecting environmental quality and economic prosperity, and inform producers about alternative production methods and markets (e.g., organic production).
- ⇒ Through financial assistance, the Division is able to help producers start up or expand agricultural operations and make changes to increase profitability and enhance environmental stewardship.

Key Measures

Performance objectives that will be measured and used to evaluate effectiveness in the next biennium include the following:

- ◆ Loans will be provided to more than 1,000 farmers and homeowners, resulting in \$15 million in rural environmental improvements annually.
- ◆ Financial assistance will be provided to more than 60 beginning farmers in Minnesota annually.
- ◆ Fruit and vegetable crop pest and IPM information will be provided to more than 1,200 producers and growers, crop consultants, industry representatives and processors through electronic and paper publications.
- ◆ Information on IPM and weed bio-control will be provided to more than 350 land managers in 40 counties.
- ◆ The number of organic producers in Minnesota will increase by 15% and more than 500 producers and processors will be assisted with organic certification costs. Educational opportunities will be provided for 1,000 producers and others at annual Minnesota Organic Conferences and through research and demonstration projects.

Activity Funding

The Agricultural Development component of this activity relies primarily on general fund appropriations, with federal grants, dedicated funds, LCCMR projects, and other sources providing additional program support. Administration of the Financial Assistance components of this activity is supported by the general fund and by fees on the loan programs administered. State general obligation bonds provide money to be loaned through the RFA programs, but this money is paid back to the debt service fund as the loans are repaid. Other loan programs, including the AgBMP and Sustainable Agriculture loan programs, are funded through the use of a revolving loan accounts that continue to grow and be reused.

AGRICULTURE DEPT

Program: AG MARKETING AND DEVELOPMENT

Activity: AG DEVELOPMENT & FINANCIAL ASSISTANCE

Narrative

Contact

For additional information on this activity, please contact Peter Scheffert, Division Director, at (651) 201-6486 or Peter.Scheffert@state.mn.us. Information on programs and staff can be found on the MDA website at www.mda.state.mn.us/about/divisions/agfinance.htm and www.mda.state.mn.us/about/divisions/agdev.htm

AGRICULTURE DEPT

Program: AG MARKETING & DEVELOPMENT

Activity: AG DEVELOP & FINANCIAL ASSIST

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	6,095	3,573	3,573	3,573	7,146
Technical Adjustments					
Approved Transfer Between Appr			396	396	792
Subtotal - Forecast Base	6,095	3,573	3,969	3,969	7,938
Governor's Recommendations					
Invasive Species Duties Reduction		0	(421)	(421)	(842)
Grants and Administration Reduction		0	(100)	(100)	(200)
Total	6,095	3,573	3,448	3,448	6,896
Clean Water Fund					
Current Appropriation	0	0	0	0	0
Subtotal - Forecast Base	0	0	0	0	0
Governor's Recommendations					
CW Ag BMP Loan Program		0	1,500	3,000	4,500
Total	0	0	1,500	3,000	4,500
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	2,600	3,671	2,964	2,964	5,928
Clean Water Fund	0	0	1,500	3,000	4,500
Statutory Appropriations					
Clean Water Revolving Fund	0	0	4,331	5,105	9,436
Miscellaneous Special Revenue	101	379	551	640	1,191
Federal	234	259	572	565	1,137
Rural Finance Administration	0	0	500	500	1,000
Miscellaneous Agency	0	0	2	2	4
Gift	28	62	10	0	10
Total	2,963	4,371	10,430	12,776	23,206
<u>Expenditures by Category</u>					
Total Compensation	1,782	2,070	2,100	2,185	4,285
Other Operating Expenses	1,028	1,974	1,483	1,352	2,835
Payments To Individuals	0	86	85	85	170
Local Assistance	153	152	54	50	104
Other Financial Transactions	0	89	6,708	9,104	15,812
Total	2,963	4,371	10,430	12,776	23,206
Full-Time Equivalents (FTE)	24.9	23.5	23.5	23.5	

Program Description

The purpose of this program is to conduct value-added agricultural programs.

Budget Activities

- ◆ Bio-Energy Products

AGRICULTURE DEPT

Program: VALUE-ADDED PRODUCTS

Program Summary

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	19,368	14,858	14,858	14,858	29,716
Technical Adjustments					
One-time Appropriations			310	310	620
Subtotal - Forecast Base	19,368	14,858	15,168	15,168	30,336
Total	19,368	14,858	15,168	15,168	30,336
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	16,372	17,854	15,168	15,168	30,336
Total	16,372	17,854	15,168	15,168	30,336
<u>Expenditures by Category</u>					
Total Compensation	4	14	0	0	0
Local Assistance	16,368	17,840	15,168	15,168	30,336
Total	16,372	17,854	15,168	15,168	30,336
<u>Expenditures by Activity</u>					
Bio-Energy Products	16,372	17,854	15,168	15,168	30,336
Total	16,372	17,854	15,168	15,168	30,336

Activity Description

This activity includes the ethanol producer payment program and the NextGen bioenergy program.

The ethanol producer payment program provides financial incentives for the production of ethanol in the state.

The NextGen (Next Generation) bioenergy program encourages the production of new energy derived from biomass or cellulosic materials such as grasses, wood products, straw, and corn stover.

Activity at a Glance

- ◆ MDA's ethanol producer payment program will end in FY 2010. Three plants will still receive regular payments in that year.
- ◆ Deficiency payments will continue be made to 12 eligible plants in FY 2010 and FY 2011.
- ◆ New plants are being developed to produce biofuels from biomass and cellulosic materials with grants through the NextGen Board.

Population Served

Fiscal year 2010 will be the last year of the ethanol producer payment program. It is anticipated that three plants will still have production eligible to receive regular ethanol producer payments in that year, for payments totaling up to \$1.2 million. The remaining amounts appropriated for fiscal years 2010 and 2011 will be used to continue making deficiency payments to 12 eligible plants. Since 2005, these payments have been made in an effort to compensate for the years when budget restrictions caused appropriations to be made for per-gallon payments at rates lower than what was originally set in statute. Deficiency payments could be finished in FY 2012 if the same amount is appropriated in the 2012-13 biennial budget.

The NextGen Board will continue to work with several new plants to assist in the development of new bioenergy production.

Services Provided

Regular quarterly ethanol producer payments will end in FY 2010. Annual deficiency payments, per M.S. 41A.09, will be made in both FY 2010 and FY 2011. Base-level funding is sufficient to fulfill all planned deficiency payments in FY 2012.

In fiscal year 2009, Minnesota Department of Agriculture (MDA) provided NextGen bioenergy grants totaling \$2.7 million to spur development of new bioenergy technologies. MDA will continue to work with these and other projects to promote the development of new bioenergy production.

Historical Perspective

An ethanol producer payment program, administered by the Department of Revenue, was initially authorized by the state legislature in 1986. In 1993, administrative responsibility for the program was moved to MDA. Both before and after MDA took over the program, the specific provisions of the program were changed many times.

The program provides for quarterly per-gallon incentive payments for ethanol produced, up to specifically authorized amounts for each plant. The payment limits currently set in statute are \$3 million per year for up to ten years. The program expires with production ending June 30, 2010.

Beginning in FY 2004, budget limitations led to laws setting per-gallon payment limits lower than those originally set in statute. The lower rates remained in law for the 2004-05 and 2006-07 biennia, with the original payment rates resuming in FY 2008. In the mean time, statutory provisions were added that direct MDA to make up the differences between payments made versus what would have been paid at the original rate. If monies are appropriated to make the deficiency payments, it is estimated that these payments will continue until FY 2012.

The NextGen Board was created in 2007 to spur the development of new biofuel production in Minnesota.

Key Program Goals

This activity supports the MDA goal of improving the marketability of Minnesota's agricultural products.

Key Measures

Performance measures that will be used to evaluate effectiveness in the next biennium include the following.

- ◆ Ethanol production plants in the state will meet the current statutory goal of 480 million gallon per year. It is estimated that production capacity will exceed one billion gallons in 2009.
- ◆ Regular payments under ethanol production payment program will be concluded.
- ◆ Two NextGen bioenergy plants, including one cellulosic ethanol plant, will be operational by end of 2011.
- ◆ New biodiesel content requirements will be implemented on schedule, with no service interruption or quality issues.

Activity Funding

This activity is funded by direct appropriations from the general fund.

Contact

For additional information on this activity, please contact Steve Ernest at (651) 201-6580 or Steve.Ernest@state.mn.us

AGRICULTURE DEPT
Program: VALUE-ADDED PRODUCTS
Activity: BIO-ENERGY PRODUCTS

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	19,368	14,858	14,858	14,858	29,716
Technical Adjustments					
One-time Appropriations			310	310	620
Subtotal - Forecast Base	19,368	14,858	15,168	15,168	30,336
Total	19,368	14,858	15,168	15,168	30,336
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	16,372	17,854	15,168	15,168	30,336
Total	16,372	17,854	15,168	15,168	30,336
<u>Expenditures by Category</u>					
Total Compensation	4	14	0	0	0
Local Assistance	16,368	17,840	15,168	15,168	30,336
Total	16,372	17,854	15,168	15,168	30,336

Program Description

The purposes of the Administrative Services Program are to provide leadership and direction to the functions of the agency and to provide Minnesota agriculture with a variety of grant programs, direct grants and assistance programs for individuals and organizations.

Budget Activities

- ◆ Grants and Assistance
- ◆ Agency Services

AGRICULTURE DEPT

Program: AGENCY SVCS & FINANCIAL ASSIST

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	10,543	7,145	7,145	7,145	14,290
Technical Adjustments					
Approved Transfer Between Appr			(85)	(85)	(170)
One-time Appropriations			(1,000)	(1,000)	(2,000)
Pt Contract Base Reduction			(7)	(7)	(14)
Subtotal - Forecast Base	10,543	7,145	6,053	6,053	12,106
Governor's Recommendations					
Ag21		0	500	500	1,000
Grants and Administration Reduction		0	(550)	(550)	(1,100)
Total	10,543	7,145	6,003	6,003	12,006
<u>Expenditures by Fund</u>					
Carry Forward					
Miscellaneous Special Revenue	14	0	0	0	0
Direct Appropriations					
General	10,481	8,458	6,487	6,487	12,974
Statutory Appropriations					
Clean Water Revolving Fund	5,970	2,802	0	0	0
Miscellaneous Special Revenue	5,960	3,521	3,187	3,263	6,450
Agriculture Fund	1	2	2	2	4
Federal	500	480	480	480	960
Rural Finance Administration	348	500	0	0	0
Miscellaneous Agency	0	178	0	0	0
Gift	0	29	15	15	30
Total	23,274	15,970	10,171	10,247	20,418
<u>Expenditures by Category</u>					
Total Compensation	4,593	5,174	5,181	5,343	10,524
Other Operating Expenses	2,326	3,365	2,057	1,970	4,027
Payments To Individuals	4,046	543	522	523	1,045
Local Assistance	2,893	3,255	2,311	2,311	4,622
Other Financial Transactions	9,416	3,633	0	0	0
Transfers	0	0	100	100	200
Total	23,274	15,970	10,171	10,247	20,418
<u>Expenditures by Activity</u>					
Grants & Assistance	7,170	4,766	3,315	3,315	6,630
Agency Services	4,087	4,834	6,856	6,932	13,788
Information Technology	2,093	2,275	0	0	0
Rural Financing	9,924	4,095	0	0	0
Total	23,274	15,970	10,171	10,247	20,418
Full-Time Equivalent (FTE)	57.9	56.4	44.1	44.1	

Activity Description

This activity provides a variety of grant programs, pass-thru grants and financial assistance programs for individuals and organizations.

Population Served

Grants and assistance are provided to dairy producers, low-income and nutritionally at-risk people, farmers in financial crisis, county fairs, agricultural producer associations, and research and development organizations.

Services Provided

The Dairy Development Profitability and Enhancement program assists dairy producers in the enhancement of their operations. The program has two facets: Dairy Enhancement Team Grants and Dairy Business Planning Grants. Local teams are composed of University of Minnesota Extension and Minnesota State Colleges and Universities (MnSCU) employees as well as local veterinarians, feed nutritionists and financial lenders.

Teams work with individual producers to help them achieve greater profitability, productivity, and efficiency. Through this cooperative effort, producers have been able to eliminate bottlenecks in their operations and accomplish business and family goals. The Dairy Business Planning Grant provides a 50% cost share, up to \$5,000 per producer, of the cost of completing a business plan. Options explored by these producers have included on-farm processing, expansion, transferring the farm to the next generation, and environmental upgrades. This grant is available to all dairy producers, but the program prioritizes small to medium-sized producers.

The Farmers' Market Nutrition Programs (FMNP) promote farmers' markets and improve the diets of low-income children, pregnant women, and seniors. The program aims to increase direct sales of locally grown produce and encourage consumption of fresh produce among low-income and nutritionally at-risk people by providing checks to those groups. FMNP issues checks to FMNP-WIC recipients through the local WIC (Women, Infant and Children) agencies that can only be redeemed at authorized farmers' markets for locally grown, fresh, unprocessed fruits and vegetables. Seniors receive checks from the agencies that distribute NAPS (Nutrition Assistance Program for Seniors) commodities. The department authorizes markets and vendors to accept the checks and investigates to ensure that vendors comply with program requirements and redeem checks only for eligible items.

The Second Harvest Heartland grant supports the purchase of milk for distribution to Minnesota's food shelves and other charitable organizations that are eligible to receive food from the food banks.

Farm Advocates provide one-on-one assistance for Minnesota farmers who face crisis due to a natural disaster or financial problems. Farm Advocates understand the needs of agricultural families. They are trained and experienced to deal with agricultural lending practices, mediation, lender negotiation, farm programs, crisis counseling and disaster programs, and to recognize the need for legal and social services. Farm Advocates assist farmers who are entering negotiations with a lender, liquidating assets of the farming operation, seeking financial assistance, and/or are receiving an adverse decision from a state or federal agency. Key farm advocate services include: financial planning; lender negotiations; farm program advice; referrals for legal services; and referrals for Social and Human Services. In addition, mental health counseling support to farm families and business operators is supported through farm business management programs at Central Lakes College and Ridgewater College.

Activity at a Glance

This activity includes the following programs:

- ◆ The Dairy Development Profitability and Enhancement Program
- ◆ The Farmers Market Nutrition coupon programs (including federal money)
- ◆ Milk for food shelves through a grant to Second Harvest Heartland
- ◆ The Farm Advocates program
- ◆ Mental health assistance through the Minnesota State Colleges and Universities
- ◆ County Fair and Agricultural Society Grants
- ◆ Grants to the Northern Crops Institute, Northern Minnesota Forage-Turf Seed Advisory Committee and the Minnesota Horticultural Society

Grants to county fairs and agricultural associations provide assistance to fair boards and associations for prize costs. Grants to the Northern Crops Institute and the Northern Minnesota Forage-Turf Seed Advisory Committee provide support for continued research into hardy varieties of crops for use in the northern tier of states and improved production of forage and turf seed related to new varieties. Grants to the Minnesota Horticultural Society support educational programs including the Minnesota Green program, which supplies donated plant materials to more than 200 community greening spaces throughout the state.

Historical Perspective

Minnesota has had state-funded FMNP since FY 1989 and has received federal funds since federal FY 1994. The senior FMNP started in Minnesota in federal FY 2001, the first year federal funds were available.

The Dairy Development Profitability and Enhancement program was established in 1996.

The Minnesota Horticultural Society was founded in 1866 and its magazine, *The Northern Gardener*, is the longest continuously published magazine in the state.

Key Program Goals

This activity supports the statewide goals of having sustainable, strong economic growth, specifically supporting agricultural industries and employment in rural communities. These programs also support the statewide goal of helping Minnesotans in need, specifically helping low-income and nutritionally at-risk people and farmers in families in crisis.

Key Measures

Performance measures that will be used to evaluate effectiveness in the next biennium include the following.

- ◆ The Dairy Development Profitability and Enhancement Program will provide at least a \$5 return on investment for every \$1 of state grant money spent
- ◆ At least half of all first-time FMNP check recipients will be new customers to farmers markets.

Activity Funding

Grants and claims are funded by direct appropriations from the general fund. Appropriations for the Farmers Market Nutrition Programs provide the required match for federal appropriations.

Contact

For additional information contact Steve Ernest, Financial Management Director, at (651) 201-6580 or Steve.Ernest@state.mn.us

AGRICULTURE DEPT

Program: AGENCY SVCS & FINANCIAL ASSIST

Activity: GRANTS & ASSISTANCE

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	7,223	3,846	3,846	3,846	7,692
Technical Adjustments					
Approved Transfer Between Appr			180	180	360
One-time Appropriations			(1,000)	(1,000)	(2,000)
Subtotal - Forecast Base	7,223	3,846	3,026	3,026	6,052
Total	7,223	3,846	3,026	3,026	6,052
 <u>Expenditures by Fund</u>					
Direct Appropriations					
General	6,686	4,282	2,839	2,839	5,678
Statutory Appropriations					
Federal	484	461	461	461	922
Gift	0	23	15	15	30
Total	7,170	4,766	3,315	3,315	6,630
 <u>Expenditures by Category</u>					
Total Compensation	119	135	95	95	190
Other Operating Expenses	112	833	287	286	573
Payments To Individuals	4,046	543	522	523	1,045
Local Assistance	2,893	3,255	2,311	2,311	4,622
Transfers	0	0	100	100	200
Total	7,170	4,766	3,315	3,315	6,630
 Full-Time Equivalents (FTE)	 1.6	 1.1	 1.1	 1.1	

Activity Description

Agency Services provides the leadership to the Minnesota Department of Agriculture (MDA) and its employees, and outreach to the agriculture industry and Minnesota consumers. It also provides department-wide support in the areas of human resources, finance and budget, and information technology by assisting divisions in providing efficient and effective programs.

M.S. Chapter 17 provides the statutory authority for the commissioner of MDA.

Population Served

In addition to supplying essential assistance to MDA employees and programs, Administrative Services also works with the legislature, producers and processors in the agricultural industry, citizens of Minnesota, and partner state and federal agencies.

Services Provided

Services are provided through the:

- ◆ Commissioner's Office – provides leadership for the department, sets policy, and represents the department in interactions with our stakeholders – federal, state, local, and international.
- ◆ Human Resources – provides employee safety and health program, labor relations program, training program, and diversity program in order to maintain a flexible and diverse workforce that can meet the needs of a changing and demanding workplace.
- ◆ Finance and Budget – provides centralized accounting, payroll, budgeting, mail, and motor pool services to the employees of MDA.
- ◆ Information Technology – provides services to all divisions for computer systems analysis, technical support, programming, project management, web design and graphic arts; administers the production of all department licenses; coordinates geographic information systems; manages telephone services; and prepares for future technology needs.
- ◆ Agricultural Statistics – a joint federal/state division that collects, analyzes, and disseminates statistical information useful to not only agricultural producers and processors, but also to economists.

Activity at a Glance

- ◆ Commissioner's Office oversees and directs the activity of all divisions in MDA
- ◆ Human Resources and Diversity assist over 500 employees with personnel matters
- ◆ Finance and Budget works to build and manage an annual budget of over \$80 million
- ◆ Information Technology provides, maintains and updates MDA's hardware, software, and network computer assets
- ◆ Agricultural Statistics is a state/federal partnership that collects, correlates, and analyzes agricultural data
- ◆ MDA has 317 employees located in the Minneapolis/St. Paul metro area, and 220 employees located throughout Minnesota in the areas they serve

Historical Perspective

Minnesota's agriculture and food sector continues to face formidable challenges. Public expectations for food safety, natural resource protections and agriculture security are at the highest level in recent history, and the competition for domestic and international markets is more intense every year. The department's budget and human resources have been obligated to respond to numerous critical situations while also trying to help Minnesota's agriculture and food sector position itself for success in this fast-changing environment.

The department has made significant advances to align business needs with technology support, moving from a fragmented information technology infrastructure to a highly integrated system providing improved support/services to our employees, customers, and Minnesota citizens. The department has a proven track record of successfully managing and completing complex information technology projects on time and within budget.

2006 marked MDA's first full year in the new Orville L. Freeman Building, located at 625 Robert Street North, in St. Paul. Co-location with the Department of Health and the Board of Animal Health has enhanced coordination on related activities.

Key Program Goals

This activity supports the three basic goals of MDA: protecting the safety of the food supply from the farm to the consumer, promoting environmentally friendly agricultural practices and improving the marketability of Minnesota's agricultural products.

Key Measures

Performance objectives that will be measured and used to evaluate effectiveness in the next biennium include the following:

- ◆ MDA will continue to partner with other state departments of agriculture to increase our presence at the national level to ensure Minnesota's agriculture is represented and heard.
- ◆ Technology projects will be designed and completed with goals defined by business practices and needs.
- ◆ Division directors will be surveyed to determine their level of satisfaction with Human Resources services.

Activity Funding

Leadership and support activities are funded with direct appropriations from the general fund and indirect cost charges made within the agency for central service operations.

Contact

For additional information on budgets, please contact Steve Ernest, Financial Management Director, at (651) 201-6580 or Steve.Ernest@state.mn.us.

For additional information on policy, please contact Quinn Cheney, Director of Policy Development, at (651) 201-6180 or Quinn.Cheney@state.mn.us.

Additional information, such as the Commissioner's Column is also available on the MDA's website at www.mda.state.mn.us/about/commissionersoffice/ and at www.mda.state.mn.us/about/commissionersoffice/columns/

AGRICULTURE DEPT

Program: AGENCY SVCS & FINANCIAL ASSIST

Activity: AGENCY SERVICES

Budget Activity Summary

<i>Dollars in Thousands</i>					
	Current		Governor's Recomm.		Biennium
	FY2008	FY2009	FY2010	FY2011	2010-11
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	3,320	3,299	3,299	3,299	6,598
Technical Adjustments					
Approved Transfer Between Appr			1,637	1,637	3,274
Pt Contract Base Reduction			(7)	(7)	(14)
Subtotal - Forecast Base	3,320	3,299	4,929	4,929	9,858
Governor's Recommendations					
Grants and Administration Reduction		0	(50)	(50)	(100)
Total	3,320	3,299	4,879	4,879	9,758
 <u>Expenditures by Fund</u>					
Direct Appropriations					
General	2,020	2,253	3,648	3,648	7,296
Statutory Appropriations					
Miscellaneous Special Revenue	2,050	2,378	3,187	3,263	6,450
Agriculture Fund	1	2	2	2	4
Federal	16	19	19	19	38
Miscellaneous Agency	0	176	0	0	0
Gift	0	6	0	0	0
Total	4,087	4,834	6,856	6,932	13,788
 <u>Expenditures by Category</u>					
Total Compensation	2,656	3,042	5,086	5,248	10,334
Other Operating Expenses	1,431	1,792	1,770	1,684	3,454
Total	4,087	4,834	6,856	6,932	13,788
 <u>Full-Time Equivalent (FTE)</u>					
	34.5	33.5	30.5	30.5	

AGRICULTURE DEPT

Agency Revenue Summary

Dollars in Thousands

	Actual FY2008	Budgeted FY2009	Governor's Recomm.		Biennium 2010-11
			FY2010	FY2011	
<u>Non Dedicated Revenue:</u>					
Departmental Earnings:					
General	3,337	3,095	3,095	3,095	6,190
Remediation Fund	161	92	92	92	184
Other Revenues:					
General	23	6	0	0	0
Other Sources:					
General	42	0	0	0	0
Total Non-Dedicated Receipts	3,563	3,193	3,187	3,187	6,374
<u>Dedicated Receipts:</u>					
Departmental Earnings:					
Miscellaneous Special Revenue	4	8	5	5	10
Agriculture Fund	17,149	16,158	18,535	18,577	37,112
Rural Finance Administration	1	1	0	0	0
Grants:					
Miscellaneous Special Revenue	109	139	158	151	309
Federal	5,983	7,840	7,922	8,166	16,088
Other Revenues:					
Miscellaneous Special Revenue	2,884	3,257	3,214	3,247	6,461
Agriculture Fund	1,123	956	902	902	1,804
Rural Finance Administration	3,542	2,255	2,247	2,246	4,493
Miscellaneous Agency	11	8	2	0	2
Gift	96	55	11	11	22
Other Sources:					
Clean Water Revolving Fund	3,327	3,786	4,472	4,665	9,137
Miscellaneous Special Revenue	255	336	165	147	312
Rural Finance Administration	8,817	6,199	5,043	5,034	10,077
Miscellaneous Agency	259	2	1	1	2
Gift	0	0	15	15	30
Total Dedicated Receipts	43,560	41,000	42,692	43,167	85,859
Agency Total Revenue	47,123	44,193	45,879	46,354	92,233

The Minnesota Department of Agriculture (MDA) receives funding from many federal sources, including the U.S. Department of Agriculture (USDA), the Food and Drug Administration (FDA), the U.S. Environmental Protection Agency (EPA), the U.S. Department of Commerce (USDC) and Homeland Security, among others. Some funding comes directly from the federal agency and other federal funding is received from another state agency as part of a larger grant.

Federal funds are received through: 1.) cooperative agreements, which provide reoccurring funding for a variety of federal programs that MDA administers; 2.) contracts where MDA provides specific services for a fee (i.e. meat inspections); and 3.) project grants where the funds are awarded on a competitive basis for specific activities.

MDA has several cooperative agreements that provide reoccurring funding. The largest of these are the EPA Pesticide Programs Grant and the Farmers Market Nutrition Program Grant.

The EPA Pesticide Programs Grant funds core activities such as pesticide enforcement, applicator certification and training, groundwater monitoring, urban initiative and endangered species activities. MDA matching funds are provided through special revenue funds from the Pesticide Regulatory Account. Matching funds greatly exceed the federal requirements because the federal funds support only a small portion of the state's pesticide program and those activities are eligible as match.

The Farmers Market Nutrition Program provides funding to educate low income, nutritionally-at-risk families about the value of fresh, locally grown produce and to increase direct sales for farmers through farmers' markets. It requires a state match. Matching funds are General Fund dollars. Additional federal funding is provided for a Farmers Market Nutrition Program for Senior Citizens.

The USDA Forest Service and Animal Plant Health Inspection Service (APHIS) fund invasive species program activities through both cooperative agreements and competitive project grants. These funds are for core activities, invasive pest surveys and eradications of pests such as the gypsy moth. MDA matching funds are largely provided through state General Fund appropriations.

Recently, MDA was awarded a cooperative agreement from The Food and Drug Administration (FDA) to develop and sustain an all Food Hazards Rapid Response team, encompassing both food and feed protection programs. These funds will be used to further enhance and build the infrastructure of State food protection programs.

The USDA Food Safety and Inspection Service (FSIS) and the Food Emergency Response Network (FERN) renewed funding of the cooperative agreement with MDA Laboratory Services to analyze for microbiological threat agents and improve laboratory capacities for surveillance and outbreak response. In addition, funds were granted to participate on the Risk Assessment / Triage Development Working Group to enhance the ability to handle unknown biological contaminants and establish one of three National FERN Training Centers that will host and conduct training for FERN.

Federal contracts include the meat and poultry inspection program, funded in partnership with the USDA Food Safety and Inspection Service (FSIS). These funds are used to maintain conformity with "at least equal to" Federal inspection standards. The 100% required state match is from the General Fund. Also, food inspection including retail food facilities, food distribution facilities, manufactured food facilities, and feed inspection activities (medicated feeds, tissue residue) are funded by the FDA, egg and poultry inspections by the USDA, and egg and poultry laboratory analysis by USDA-Ag Marketing Services.

Competitive project grants are funded both directly from federal agencies and through other state agencies. Examples of competitive grants directly funded are USDA-Ag Marketing Services, USDA-Federal State Marketing Improvement Program (FSMIP), and USDA-Rural Development. Currently, four projects are being funded through the federal 319 (nonpoint source water protection) Program through the Minnesota Pollution Control Agency (MPCA).

The Minnesota Department of Public Safety Homeland Security and Emergency Management Division grants federal funding for the State Homeland Security Grant Program (SHSGP). MDA received funding for two projects: 1.) Geospatial Locational Data Sharing Initiative to Safeguard Agriculture Infrastructure and 2.) Multi-state Partnership for Security in Agriculture. These funds will support Minnesota's capability to share and disseminate information in a timely manner during a food and/or agricultural emergency.

Additional assistance that may be sought in the future includes funds to address disease outbreaks, such as avian influenza, and funds to increase protection against terrorist activities. Diseases and terrorist attacks on the food supply could have high potential to cause illness, fear and panic, loss of public confidence in the food supply and severe economic losses. If disease outbreaks or terrorist activities should occur, the Minnesota Department of Agriculture and its partners would need to communicate and respond decisively to limit the extent of the damage and to protect public health. Additional resources are being sought to address these issues.

Federal Funds Summary

Federal Program (\$ In Thousands)	Related SFY 2008 Spending	Primary Purpose	SFY 2008 Revenues	SFY 2009 Revenues	Estimated SFY 2010 Revenues	Estimated SFY 2011 Revenues
PESTICIDE & FERTILIZER MGMT						
<u>F36 MPCA 319 Grant</u> ongoing contract for nutrient management & nitrate clinics (match required).	13	SO	36	13	7	7
<u>F46 USDA Natural Resources Conservation Service</u> Provide conservation technical assistance to landowners and operators within Minnesota (match required).	15	SO	15	66	50	50
<u>F50 USDA Pest Record Keeping</u> Education & inspection of private applicator records for compliance (match required – pesticide regulatory account).	3	SO	52	50	50	50
<u>F54 MPCA Source Water Protection</u> Develop educational materials, coordinate water land protection program, collect data and provide technical assistant to public water suppliers (no match).	-	SO	17	5	0	0
<u>F60 EPA FIFRA Grant</u> Ongoing grant for pesticide enforcement & groundwater protection and other core programs (match required).	254	SO	377	548	858	780
Total	285		497	682	965	887
PLANT PROTECTION						
<u>F33 USDA CSREES Grant</u> Cooperative agreement for research & education (no match).	-	SO	6	0	0	0
<u>F56 APHIS Slow the Spread</u> Survey work to detect & stop the spread of Gypsy Moths and other invasive species (match required).	236	SO	445	600	600	600
<u>F57 USDA Forest Survey</u> Gypsy moth survey work to detect & stop the spread of gypsy moths and other invasive species (match required).	14	SO	22	123	100	100
<u>F62 CAPS APHIS</u> Funds for consolidated base surveys and emergency funding for priority pest (i.e. bark beetle) (match required).	57	SO	363	818	701	690
Total	307		836	1,541	1,401	1,390
DAIRY & FOOD INSPECTION						
<u>F02 USDA Poultry Inspection</u> Ongoing contract for poultry (no match).	-	SO	75	74	74	74

Federal Funds Summary

Federal Program (\$ In Thousands)	Related SFY 2008 Spending	Primary Purpose	SFY 2008 Revenues	SFY 2009 Revenues	Estimated SFY 2010 Revenues	Estimated SFY 2011 Revenues
<u>F03 USDA Egg Inspection</u> Ongoing contract for egg inspections of egg handlers and hatcheries (no match).	-	SO	20	21	21	21
<u>F08 HHS-FDA Food Inspection</u> Ongoing contract for inspection of licensed feed mills, tissue residue and food inspections. Develop and sustain an all Food Hazards Rapid Response team (no match).	-	SO	309	933	967	978
<u>F32 USDC-NOAA Fish Inspection</u> Ongoing contract for fish & fish products (no match).	-	SO	21	22	22	22
<u>F52 Homeland Security Risk Assessment</u> Minnesota Public Safety contract for risk assessment of food supply in Minnesota (no match).	-	SO	213	294	230	230
<u>F55 USDA FERN Food Safety</u> State Food Safety Task Force in meat & poultry processing at retail level (no match)	-	SO	12	2	2	2
<u>F66 BSE Ruminant Feed Ban</u> Increase surveillance to prevent the introduction or amplification of BSE (cattle disease) in commercial food channels (no match).	-	SO	235	235	235	235
<u>F83 Meat and Poultry Inspection</u> Equal To meat and poultry inspection services that meet the Federal regulatory requirements (match required).	972	SO	972	1,000	1,000	1,000
<u>F97 FSIS Retail Food Safety</u> A meat and poultry inspection program to assure consumers an adequate supply of safe, wholesome, and properly labeled meat and poultry products (match required).	-	SO	0	0	0	0
Total	972		1,857	2,581	2,551	2,562

LABORATORY SERVICES

<u>F08 HHS-FDA Food Inspection</u> Lab analysis for the Food Hazards Rapid Response team, develop protocols for use as field diagnostics (no match).	-	SO	0	65	111	116
<u>F21 USDA-AMS Grading Standards</u> Ongoing contract for lab analysis of egg & poultry products (no match).	-	SO	68	50	50	50

Federal Funds Summary

Federal Program (\$ In Thousands)	Related SFY 2008 Spending	Primary Purpose	SFY 2008 Revenues	SFY 2009 Revenues	Estimated SFY 2010 Revenues	Estimated SFY 2011 Revenues
<u>F33 USDA CSREES Grant</u> Cooperative grant for research & education (no match).	-	SO	20	0	0	0
<u>F55 USDA FERN Food Safety</u> Cooperative grant to analyze for microbiological threat agents, improve laboratory capacities for surveillance and outbreak response. Create a FERN Training Center and participate on the Risk Assessment / Triage Development Working Group (no match).	-	SO	224	709	205	541
<u>F58 USDA FERN</u> To develop and improve local food safety and security testing programs (no match).	-	SO	348	350	350	350
<u>F60 EPA FIFRA Grant</u> Ongoing grant for pesticide enforcement & groundwater protection and other core programs (match required – see Pesticide & Fertilizer Management).	40	SO	343	350	333	333
<u>F81 USDA AMS-MDP</u> Cooperative agreement to collect comprehensive data on pathogen and indicator organisms in food and perform evaluation analysis (no match).	-	SO	150	200	200	200
<u>F83 Meat and Poultry Inspection</u> Lab analysis for the Equal To meat and poultry inspection services that meet the Federal regulatory requirements (match required).	35	SO	35	100	100	110
<u>F89 USDA AMS-MDP</u> Cooperative agreement to perform methods development and analytical trials (no match).	-	SO	63	0	0	0
<u>F96 USDA AMS-PDP</u> Cooperative agreement to collect pesticide data residues and perform evaluation analysis (no match).	-	SO	574	350	375	375
Total	75		1,825	2,174	1,724	2,075

AG MARKETING SERVICES

<u>F08 HHS-FDA Food Inspections</u> Ongoing contract for elevator inspections (no match).	-	SO	6	0	0	0
<u>F20 USDA-FSMIP Marketing Improvement Fund</u> To develop direct marketing for agricultural products (match required).	87	SO	87	0	0	0
<u>F48 USDA-FSMIP Emerging Markets</u> Funds to develop direct marketing for agricultural products in emerging markets (match required).	-	SO	83	0	0	0

Federal Funds Summary

Federal Program (\$ In Thousands)	Related SFY 2008 Spending	Primary Purpose	SFY 2008 Revenues	SFY 2009 Revenues	Estimated SFY 2010 Revenues	Estimated SFY 2011 Revenues
<u>F91 USDA-Agricultural Marketing Service</u> Cooperative agreement to enhance the competitiveness of specialty crops in Minnesota (no match).	-	GPS	0	115	68	68
<u>F99 USDA-Agricultural Marketing Service</u> Cooperative agreement to promote production of specialty crops in Minnesota (no match).	-	GCBO	113	0	135	113
Total	87		289	115	203	181
AG RESOURCES MGMT & DEVP						
<u>F11 MPCA Improvement Grants</u> Funding for field testing & training of users on the Minnesota Phosphorus Index, Impaired Waters and Riparian Grazing (match required).	-	SO	19	0	0	0
<u>F18 USDA NRCS Equipment Grant</u> Conservation drainage demonstration grant for innovative projects on conservation (no match).	5	SO	29	93	78	78
<u>F21 USDA-AMS Cooperative</u> agreement to provide cost-share assistance to organic producers or handlers (no match).	-	GI	0	0	338	350
<u>F45 USDA-RMA Partnership Outreach</u> Risk Management Federal Crop Insurance partnership agreement for organic strategy implementation assessment (no match).	-	SO	34	37	32	21
<u>F46 USDA-NRCS Soil & Water Funds</u> to provide grazing land technical assistance for resource conservation management (match required).	24	SO	30	3	32	32
<u>F60 EPA FIFRA Grant</u> Ongoing grant for pesticide enforcement & groundwater protection and other core programs (no match).	-	SO	25	61	60	60
<u>F90 USDA CSREES SARE</u> Funding for sustainable agriculture research and education (no match).	-	SO	34	49	24	24
<u>F91 USDA-AMS Cooperative</u> agreement to enhance the competitiveness of specialty crops in Minnesota (no match).	-	GI	0	16	8	0
Total	29		171	259	572	565

Federal Funds Summary

Federal Program (\$ In Thousands)	Related SFY 2008 Spending	Primary Purpose	SFY 2008 Revenues	SFY 2009 Revenues	Estimated SFY 2010 Revenues	Estimated SFY 2011 Revenues
GRANTS & ASSISTANCE						
<u>F17 WIC Farmers' Market Nutrition</u> Ongoing contract for food coupons reimbursement for Farmers' Markets (match required).	157	GI	365	365	365	365
<u>F49 WIC Farmers' Market Nutrition</u> Ongoing contract for food coupons reimbursement for Farmers' Markets (match required).	-	GI	12	0	0	0
<u>F95 Senior Farmers' Market Nutrition</u> Ongoing contract for reimbursements of food coupons for Senior Citizens at Farmers' Markets (no match).	5	GI	96	96	96	96
Total	162		473	461	461	461
ADMINISTRATIVE SERVICES						
<u>F01 USDA Agricultural Statistics</u> Funding for ongoing contract to collect, analyze and publish primary crop & livestock statistical data (no match).	-	SO	35	27	45	45
Total	-		35	27	45	45
Agency Total	1,917		5,983	7,840	7,922	8,166

*Programs receiving new funding.

<p>Key: Primary Purpose SO = State Operations GPS = Grants to Political Subdivision GI = Grants to Individuals GCBO = Grants to Community Based Organizations</p>

Abbreviations, Acronyms

AMS	Agricultural Marketing Service (USDA)
APHIS	Animal and Plant Health Inspection Service (USDA)
BSE	bovine spongiform encephalopathy (a disease in cattle)
CAPS	Cooperative Agricultural Pest Survey (APHIS)
CERCLA	Comprehensive Environmental Response, Compensation, & Liability Act
CSREES	Cooperative State Research, Education, and Extension Service (USDA)
DHS	U.S. Department of Homeland Security
EPA	U.S. Environmental Protection Agency
FDA	Food and Drug Administration (HHS)
FERN	Food Emergency Response Network (FSIS)
FIFRA	Federal Insecticide, Fungicide, and Rodenticide Act
FNS	Food and Nutrition Service (USDA)
FSIS	Food Safety and Inspection Service (USDA)
FSMIP	Federal State Marketing Improvement Program (AMS)
HHS	U.S. Department of Health and Human Services
MDA	Minnesota Department of Agriculture
MDP	Microbiological Data Program (AMS)
MPCA	Minnesota Pollution Agency
NOAA	National Oceanic and Atmospheric Administration (USDC)
NPS	non-point source (pollution from widespread sources)
NRCS	Natural Resources Conservation Service (USDA)
PDP	Pesticide Data Program (AMS)
RMA	Risk Management Agency (USDA)
RD	Rural Development (USDA)
SARE	Sustainable Agriculture Research and Education (CSREES)
USDA	U.S. Department of Agriculture
USDC	U.S. Department of Commerce
WIC	Women, Infants and Children (FNS)