

Agriculture **Projects Summary**

(\$ in thousands)

Project Title	Rank Fund		Project Requests for State Funds			Gov's Rec	Gov's Planning Estimates	
			2016	2018	2020	2016	2018	2020
Rural Finance Authority Loans	1	GO	35,000	0	0	35,000	0	0
Laboratory Capital Equipment	2	GF	2,218	0	0	2,218	0	0
Total Project Requests			37,218	0	0	37,218	0	0
GO Bonds-User Financing (GO) Total			35,000	0	0	35,000	0	0
General Fund Cash (GF) Total			2,218	0	0	2,218	0	0

www.mda.state.mn.us

AT A GLANCE

- 450 employees across the state
- Conducted 7,795 inspections of 4.7 million pounds of processed meat and poultry products
- Conducted 7,800 dairy farm inspections
- Certified 1.2 billion pounds of ag products for export to 63 countries
- Surveyed for more than 40 invasive species threats
- \$10.2 million matched by \$63.3 million in private investment
- 1,225 farms and farmers' markets licensed to use the Minnesota Grown logo
- In partnership with 86 counties, collected 361,054 pounds of waste pesticides in 2013

PURPOSE

Our mission 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.

The Minnesota Department of Agriculture (MDA) provides many services to Minnesota farmers, their consumers, and the Agriculture economy. Among our many efforts, we:

- Invest in farmers through education and grants aimed at modernizing the family farm
- Invest in the future of the agricultural economy with grants for research and value-added processing
- Ensure that state and federal regulations for food and health safety are followed

- Educate producers, suppliers, and consumers on proper production and handling of food products,
- Educate Minnesotans about environmental hazards to keep our farms, homes, businesses and neighborhoods safe,
- Promote the consumption of Minnesota-grown foods, and
- Promote the export of Minnesota crops and livestock.

We support the following statewide outcomes:

- **A thriving economy that encourages business growth and employment opportunities**
- **All Minnesotans have optimal health**
- **People in Minnesota are safe**
- **A clean, healthy environment with sustainable uses of natural resources**

STRATEGIES

We use a range of regulatory and voluntary strategies to support our mission. This includes the use of registration, labeling, licensing, permitting, inspection and enforcement efforts. Additionally, we coordinate and conduct outreach activities such as workshops, conferences, and field demonstration projects.

Our staff conducts inspections and verifies samples to ensure that producers, processors, wholesalers, haulers, grocery and convenience stores and other industry personnel are producing and handling dairy, food, meat and feed products in a safe manner to protect them from unintended alteration and contamination.

We ensure that Minnesota plant products meet the import requirements of our trading partners, meet grading standards established in contracts, that seeds meet viability and purity standards, that general health standards are met for nursery stock, and that standards for freedom from harmful plant pests are met.

Our marketing and promotional initiatives offer producers technical and financial assistance on a variety of issues, including dairy and livestock development, business planning, and emerging water quality and conservation practices.

Our staff facilitates access to markets through the Minnesota Grown Directory, international trade market research and client support for trade missions and export assistance. We also support the organic industry through education, direct financial support, and skill development.

[Minnesota Statutes, Chapter 17](https://www.revisor.mn.gov/statutes/?id=17), (<https://www.revisor.mn.gov/statutes/?id=17>), creates the Department of Agriculture and provides certain authority to the commissioner.

At A Glance

The Department of Agriculture uses capital funding to support its goals of

- Protecting and developing the state's agricultural resources
- Maintaining the safety of the state's food supply
- Maintaining an ability to assist with emergencies involving the agricultural sector

Factors Impacting Facilities or Capital Programs

The Department of Agriculture has significant responsibility in planning for the needs of the state buildings it occupies, especially the MDA/MDH Laboratory building in St. Paul. The activities conducted by the MDA Laboratory Services Division have very sophisticated and highly technical requirements for the structure they take place in and capital assets they utilize. Factors that drive capital needs for the Lab include evolving threats to public safety and ongoing technological developments. Quality control requirements drive needs for the reliability and regular replacement of the lab's capital assets.

In addition, MDA uses capital funding in the implementation of the Rural Finance Authority loan programs. The bonding used in support of these programs is user-financed. However, new bonding authorizations must be enacted to keep the loan programs funded.

Self-Assessment of Agency Facilities and Assets

The MDA moved into new office and laboratory facilities in the fall of 2005. These facilities are shared with the Department of Health (MDH) and provide excellent opportunities for the two agencies to improve their productivity and to work collaboratively on areas of mutual concern.

Since moving into the new buildings, some areas for improvement have been identified. The area with the greatest capital needs is the Laboratory Services Division. This division maintains a state of the art laboratory building which incorporates an extensive amount of capital equipment. This equipment enables the lab to meet ongoing support for food safety and other regulatory programs and also to maintain a capacity to respond to emergency incidents that may threaten the food supply and public health in general.

Analytical capital equipment costs required to meet changing and emergency needs of the MDA go beyond levels that can be supported within the regular operating budgets of the department. Capital equipment constitutes core infrastructure to run tests of the complexity needed to address current issues faced in the agricultural sector and is in need of funding so the department can meet the critical needs anticipated in the coming years.

Agency Process for Determining Capital Requests

All divisions within MDA were surveyed to assess whether there are pressing capital needs or opportunities where capital investment could generate operational savings. Top consideration was given to the protection of the food supply and human health. Additional consideration was given to the urgency of addressing potential threats to Minnesota's agricultural activities.

Major Capital Projects Authorized in 2014 & 2015

In 2014, \$203,000 was appropriated to design, reconstruct and equip the feed storage and grinding rooms in the MDA laboratory.

In 2015, \$50,000 was appropriated for replacement of the windows in the East Grand Forks potato inspection facility.

Rural Finance Authority Loans

AT A GLANCE**2016 Request Amount:** \$35,000**Priority Ranking:** 1**Project Summary:** Authorization to sell general obligation bonds totaling \$35 million. Proceeds from the bond sale will be used to support loan programs administered by the Minnesota Rural Finance Authority.**Project Description**

The RFA will purchase a forty-five percent (45%) interest in the lender's first mortgage (up to \$400,000) to an eligible farmer under the Basic, Seller Assisted and Agriculture Improvement Programs. This participation interest is set up on a reduced interest rate to improve the farmer's cash flow and to share the risk of making the loan with the lender.

The RFA will purchase a forty-five percent (45%) interest in the lender's first mortgage (up to \$525,000) to an eligible farmer under the Restructure II and Livestock Expansion Loan Program.

Project Rationale

The Minnesota Rural Finance Authority (RFA) was created in 1986 to develop the state's agricultural sector by partnering with local lenders to offer credit to farmers on terms and conditions not otherwise available.

Other Considerations

Principal and interest received on loan participations are deposited into a fund for the redemption of bonds issued under the various programs and may not be used to fund further loans. Annually, on December 1, these funds are transferred to the Department of Management and Budget Debt Service Fund for bond redemption and interest payments on the bonds for the following year.

Impact on Agency Operating Budgets

There is no change to the annual operating budget.

Description of Previous Appropriations

Laws of Minnesota for 2012, Chapter 293 authorized the sale of \$33 million in general obligation bonds. Total bonding authorization is established by Minnesota Statutes, Section 41B.19, subdivision 1 and is allocated by resolution of the Rural Finance Authority.

Project Contact Person

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Deputy Commissioner
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Governor's Recommendation

The Governor recommends \$35 million of user-finance bonds for Rural Finance Authority (RFA) loans.

Agriculture

Project Detail

(\$ in thousands)

Rural Finance Authority Loans

PROJECT FUNDING SOURCES

Funding Source	Prior Years	FY 2016	FY 2018	FY 2020
State Funds Requested				
General Obligation Bonds	\$ 33,000	\$ 35,000	\$ 0	\$ 0
Funds Already Committed				
Pending Contributions				
TOTAL	\$ 33,000	\$ 35,000	\$ 0	\$ 0

TOTAL PROJECT COSTS

Cost Category	Prior Years	FY 2016	FY 2018	FY 2020
Property Acquisition	\$ 0	\$ 0	\$ 0	\$ 0
Predesign Fees	\$ 0	\$ 0	\$ 0	\$ 0
Design Fees	\$ 0	\$ 0	\$ 0	\$ 0
Project Management	\$ 33,000	\$ 35,000	\$ 0	\$ 0
Construction	\$ 0	\$ 0	\$ 0	\$ 0
Relocation Expenses	\$ 0	\$ 0	\$ 0	\$ 0
One Percent for Art	\$ 0	\$ 0	\$ 0	\$ 0
Occupancy Costs	\$ 0	\$ 0	\$ 0	\$ 0
Inflationary Adjustment	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL	\$ 33,000	\$ 35,000	\$ 0	\$ 0

IMPACT ON STATE OPERATING COSTS

Cost Category	FY 2016	FY 2018	FY 2020
IT Costs	\$ 0	\$ 0	\$ 0
Operating Budget Impact (\$)	\$ 0	\$ 0	\$ 0
Operating Budget Impact (FTE)	0.0	0.0	0.0

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS

	Amount	Percent of Total
General Fund	\$ 0	0 %
User Financing	\$ 35,000	100 %

STATUTORY REQUIREMENTS

The following requirements will apply to projects after adoption of the bonding bill.

M.S. 16B.335 (1a): Construction/Major Remodeling Review (by Legislature)	No
M.S. 16B.335(3): Predesign Review Required (by Dept. of Administration)	
Does this request include funding for predesign?	N/A
Has the predesign been submitted to the Department of Administration?	N/A
Has the predesign been approved by the Department of Administration?	N/A
M.S. 16B.325(1): Sustainable Building Guidelines Met	N/A
M.S. 16B.325(2) and M.S. 16B.335(4): Energy Conservation Guidelines	
Do the project designs meet the guidelines?	N/A
Does the project demonstrate compliance with the standards?	N/A
M.S. 16B.335(5 & 6): Information Technology Review (by MN.IT)	N/A
M.S. 16A.695: Public Ownership Required	N/A
M.S. 16A.695(2): Use Agreement Required	N/A
M.S. 16A.695(5): Program Funding Review Required (by granting agency)	N/A
M.S. 16A.86 (4b): Matching Funds Required	N/A
M.S. 16A. 642: Project Cancellation in 2021	N/A
M.S. 16A.502 and M.S. 16B.31 (2): Full Funding Required	N/A
M.S. 174.93: Guideway Project	
Is this a Guideway Project?	N/A
Is the required information included in this request?	N/A

(\$ in thousands)

Laboratory Capital Equipment**AT A GLANCE****2016 Request Amount:** \$2,218**Priority Ranking:** 2**Project Summary:** \$2.218 million is requested for Laboratory Capital Equipment to maintain and increase the analytical capability of the Laboratory Services Division of the Department of Agriculture at its facility at 601 Robert St. North in St. Paul.**Project Description**

The laboratory plays a critical role in emergency response and must maintain a broad array of equipment to provide data critical for decision making on issues affecting food safety and security, the environment and to the overall agricultural economy. The nature of laboratory work has evolved in the last twenty (20) years to require ever more sophisticated laboratory equipment to meet program goals and objectives. Many of the most common analytical techniques employed within the laboratory require significant capital investment in laboratory equipment. This equipment is required to meet regulatory standards and the stated program goals and objectives of our customers. The costs associated with some of these systems can range up to \$500,000 each. Laboratory capital equipment in the Laboratory Services Division continues to reach its expected service life faster than it can be replaced. This initiative would replace critical capital equipment, which is near or at the end of their service life and add additional new capability, which has been requested. Specifically, this effort provides for equipment totaling \$2,218,000.

Project Rationale

Analytical capital equipment costs required to meet changing and emergency needs of the MDA go beyond levels that can be supported within the regular operating budgets of the department. This equipment constitutes core infrastructure to run tests of the complexity needed to address current issues faced in the agricultural sector. This request is an investment in this core infrastructure.

Other Considerations

The Laboratory has estimated that we would need an increase to our base operating budget of \$500,000 annually to ensure orderly acquisition, replacement and maintenance of our capital equipment if this request was not funded.

Impact on Agency Operating Budgets

The Department of Agriculture is unable to replace depreciating assets on a scheduled basis. This situation poses a risk to lab capability and readiness to respond to Agricultural issues that require laboratory services. Operating budgets that are currently taxed by efforts to manage these assets would be relieved.

Description of Previous Appropriations

There has been no bonded money appropriated for similar purposes in the past three bienniums.

Project Contact Person

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Governor's Recommendation

The Governor recommends \$2.218 million in general fund cash for this request.

Agriculture

Project Detail

(\$ in thousands)

Laboratory Capital Equipment

PROJECT FUNDING SOURCES

Funding Source	Prior Years	FY 2016	FY 2018	FY 2020
State Funds Requested				
General Fund Cash	\$ 0	\$ 2,218	\$ 0	\$ 0
Funds Already Committed				
Pending Contributions				
TOTAL	\$ 0	\$ 2,218	\$ 0	\$ 0

TOTAL PROJECT COSTS

Cost Category	Prior Years	FY 2016	FY 2018	FY 2020
Property Acquisition	\$ 0	\$ 2,218	\$ 0	\$ 0
Predesign Fees	\$ 0	\$ 0	\$ 0	\$ 0
Design Fees	\$ 0	\$ 0	\$ 0	\$ 0
Project Management	\$ 0	\$ 0	\$ 0	\$ 0
Construction	\$ 0	\$ 0	\$ 0	\$ 0
Relocation Expenses	\$ 0	\$ 0	\$ 0	\$ 0
One Percent for Art	\$ 0	\$ 0	\$ 0	\$ 0
Occupancy Costs	\$ 0	\$ 0	\$ 0	\$ 0
Inflationary Adjustment	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL	\$ 0	\$ 2,218	\$ 0	\$ 0

IMPACT ON STATE OPERATING COSTS

Cost Category	FY 2016	FY 2018	FY 2020
IT Costs	\$ 0	\$ 0	\$ 0
Operating Budget Impact (\$)	\$ 0	\$ 0	\$ 0
Operating Budget Impact (FTE)	0.0	0.0	0.0

SOURCE OF FUNDS FOR DEBT SERVICE PAYMENTS

	Amount	Percent of Total
General Fund	\$ 0	
User Financing	\$ 0	

STATUTORY REQUIREMENTS

The following requirements will apply to projects after adoption of the bonding bill.

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M.S. 16B.325(2) and M.S. 16B.335(4): Energy Conservation Guidelines	
Do the project designs meet the guidelines?	N/A
Does the project demonstrate compliance with the standards?	N/A
M.S. 16B.335(5 & 6): Information Technology Review (by MN.IT)	N/A
M.S. 16A.695: Public Ownership Required	Yes
M.S. 16A.695(2): Use Agreement Required	No
M.S. 16A.695(5): Program Funding Review Required (by granting agency)	N/A
M.S. 16A.86 (4b): Matching Funds Required	N/A
M.S. 16A. 642: Project Cancellation in 2021	Yes
M.S. 16A.502 and M.S. 16B.31 (2): Full Funding Required	Yes
M.S. 174.93: Guideway Project	
Is this a Guideway Project?	No
Is the required information included in this request?	N/A