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State of Minnesota
HOUSE OF REPRESENTATIVES

**EIGHTY-FIFTH
SESSION**

HOUSE FILE No. 3552

February 28, 2008

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The bill was read for the first time and referred to the Committee on Agriculture, Rural Economies and Veterans Affairs

March 13, 2008

Committee Recommendation and Adoption of Report:

To Pass and re-referred to the Committee on Finance

1.1 A bill for an act
1.2 relating to agriculture; adding a member to the NextGen Energy Board; removing
1.3 a sunset date; modifying an appropriation; amending Minnesota Statutes 2007
1.4 Supplement, section 41A.105; Laws 2007, chapter 45, article 1, section 3,
1.5 subdivision 4.

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

1.7 Section 1. Minnesota Statutes 2007 Supplement, section 41A.105, is amended to read:

1.8 **41A.105 NEXTGEN ENERGY.**

1.9 Subdivision 1. **Purpose.** It is the goal of the state through the Department of
1.10 Agriculture to research and develop energy sources to displace fossil fuels with renewable
1.11 technology.

1.12 Subd. 2. **NextGen Energy Board.** There is created a NextGen Energy Board
1.13 consisting of the commissioners of agriculture, commerce, natural resources, the Pollution
1.14 Control Agency, and employment and economic development; the chairs of the house and
1.15 senate committees with jurisdiction over energy finance; the chairs of the house and senate
1.16 committees with jurisdiction over agriculture finance; one member of the second largest
1.17 political party in the house, as appointed by the chairs of the house committees with
1.18 jurisdiction over agriculture finance and energy finance; one member of the second largest
1.19 political party in the senate, as appointed by the chairs of the senate committees with
1.20 jurisdiction over agriculture finance and energy finance; and the executive director of the
1.21 Agricultural Utilization Research Institute. In addition, the governor shall appoint ~~seven~~
1.22 eight members: two representing statewide agriculture organizations; two representing
1.23 statewide environment and natural resource conservation organizations; one representing
1.24 the University of Minnesota; one representing the Minnesota Institute for Sustainable

2.1 Agriculture; ~~and~~ one representing the Minnesota State Colleges and Universities system;
2.2 and one representing the forest products industry.

2.3 Subd. 3. **Duties.** The board shall research and report to the commissioner of
2.4 agriculture and to the legislature recommendations as to how the state can invest its
2.5 resources to most efficiently achieve energy independence, agricultural and natural
2.6 resources sustainability, and rural economic vitality. The board shall:

2.7 (1) examine the future of fuels, such as synthetic gases, biobutanol, hydrogen,
2.8 methanol, biodiesel, and ethanol within Minnesota;

2.9 (2) develop equity grant programs to assist locally owned facilities;

2.10 (3) study the proper role of the state in creating financing and investing and
2.11 providing incentives;

2.12 (4) evaluate how state and federal programs, including the Farm Bill, can best work
2.13 together and leverage resources;

2.14 (5) work with other entities and committees to develop a clean energy program; and

2.15 (6) report to the legislature before February 1 each year with recommendations as
2.16 to appropriations and results of past actions and projects.

2.17 Subd. 4. **Commissioner's duties.** The commissioner of agriculture shall administer
2.18 this section.

2.19 ~~Subd. 5. **Expiration.** This section expires June 30, 2009.~~

2.20 Sec. 2. Laws 2007, chapter 45, article 1, section 3, subdivision 4, is amended to read:

2.21 Subd. 4. **Bioenergy and Value-Added**

2.22 **Agricultural Products** 19,918,000 15,168,000

2.23 \$15,168,000 the first year and \$15,168,000

2.24 the second year are for ethanol producer

2.25 payments under Minnesota Statutes, section

2.26 41A.09. If the total amount for which all

2.27 producers are eligible in a quarter exceeds

2.28 the amount available for payments, the

2.29 commissioner shall make payments on a

2.30 pro rata basis. If the appropriation exceeds

2.31 the total amount for which all producers

2.32 are eligible in a fiscal year for scheduled

2.33 payments and for deficiencies in payments

2.34 during previous fiscal years, the balance

2.35 in the appropriation is available to the

3.1 commissioner for value-added agricultural
3.2 programs including the value-added
3.3 agricultural product processing and
3.4 marketing grant program under Minnesota
3.5 Statutes, section 17.101, subdivision 5. The
3.6 appropriation remains available until spent.
3.7 \$3,000,000 the first year is for grants to
3.8 bioenergy projects. The NextGen Energy
3.9 Board shall make recommendations to
3.10 the commissioner on grants for owners of
3.11 Minnesota facilities producing bioenergy,
3.12 organizations that provide for on-station,
3.13 on-farm field scale research and outreach to
3.14 develop and test the agronomic and economic
3.15 requirements of diverse stands of prairie
3.16 plants and other perennials for bioenergy
3.17 systems, or certain nongovernmental
3.18 entities. For the purposes of this paragraph,
3.19 "bioenergy" includes transportation fuels
3.20 derived from cellulosic material as well as
3.21 the generation of energy for commercial heat,
3.22 industrial process heat, or electrical power
3.23 from cellulosic material via gasification
3.24 or other processes. The board must give
3.25 priority to a bioenergy facility that is at
3.26 least 60 percent owned and controlled by
3.27 farmers, as defined in Minnesota Statutes,
3.28 section 500.24, subdivision 2, paragraph
3.29 (n), or natural persons residing in the
3.30 county or counties contiguous to where the
3.31 facility is located. Grants are limited to 50
3.32 percent of the cost of research, technical
3.33 assistance, or equipment related to bioenergy
3.34 production or \$500,000, whichever is less.
3.35 Grants to nongovernmental entities for the
3.36 development of business plans and structures

4.1 related to community ownership of eligible
4.2 bioenergy facilities together may not exceed
4.3 \$150,000. The board shall make a good
4.4 faith effort to select projects that have
4.5 merit and when taken together represent a
4.6 variety of bioenergy technologies, biomass
4.7 feedstocks, and geographic regions of the
4.8 state. Projects must have a qualified engineer
4.9 certification on the technology and fuel
4.10 source. Grantees shall provide reports at
4.11 the request of the commissioner and must
4.12 actively participate in the Agricultural
4.13 Utilization Research Institute's Renewable
4.14 Energy Roundtable. No later than February
4.15 1, 2009, the commissioner shall report on
4.16 the projects funded under this appropriation
4.17 to the house and senate committees with
4.18 jurisdiction over agriculture finance. The
4.19 commissioner's costs in administering the
4.20 program may be paid from the appropriation.
4.21 Any unencumbered balance does not cancel
4.22 at the end of the first year and is available in
4.23 the second year.
4.24 \$350,000 the first year is for grants to
4.25 the Minnesota Institute for Sustainable
4.26 Agriculture at the University of Minnesota
4.27 to provide funds for on-station and on-farm
4.28 field scale research and outreach to develop
4.29 and test the agronomic and economic
4.30 requirements of diverse stands of prairie
4.31 plants and other perennials for bioenergy
4.32 systems including, but not limited to,
4.33 multiple species selection and establishment,
4.34 ecological management between planting
4.35 and harvest, harvest technologies, financial
4.36 and agronomic risk management, farmer

5.1 goal setting and adoption of technologies,
5.2 integration of wildlife habitat into
5.3 management approaches, evaluation of
5.4 carbon and other benefits, and robust policies
5.5 needed to induce farmer conversion on
5.6 marginal lands. * (The preceding text
5.7 beginning "\$350,000 the first year" was
5.8 indicated as vetoed by the governor.)

5.9 \$200,000 the first year is for a grant to the
5.10 Minnesota Turf Seed Council for basic
5.11 and applied agronomic research on native
5.12 plants, including plant breeding, nutrient
5.13 management, pest management, disease
5.14 management, yield, and viability. The grant
5.15 recipient may subcontract with a qualified
5.16 third party for some or all of the basic
5.17 or applied research. The grant recipient
5.18 must actively participate in the Agricultural
5.19 Utilization Research Institute's Renewable
5.20 Energy Roundtable and no later than
5.21 February 1, 2009, must report to the house
5.22 and senate committees with jurisdiction
5.23 over agriculture finance. This is a onetime
5.24 appropriation and is available until spent.

5.25 \$200,000 the first year is for a grant to a joint
5.26 venture combined heat and power energy
5.27 facility located in Scott or LeSueur County
5.28 for the creation of a centrally located biomass
5.29 fuel supply depot with the capability of
5.30 unloading, processing, testing, scaling, and
5.31 storing renewable biomass fuels. The grant
5.32 must be matched by at least \$3 of nonstate
5.33 funds for every \$1 of state funds. The grant
5.34 recipient must actively participate in the
5.35 Agricultural Utilization Research Institute's
5.36 Renewable Energy Roundtable and no

6.1 later than February 1, 2009, must report
6.2 to the house and senate committees with
6.3 jurisdiction over agriculture finance. This is
6.4 a onetime appropriation and is available until
6.5 spent.

6.6 \$300,000 the first year is for a grant to the
6.7 Bois Forte Band of Chippewa for a feasibility
6.8 study of a renewable energy biofuels
6.9 demonstration facility on the Bois Forte
6.10 Reservation in St. Louis and Koochiching
6.11 Counties. The grant shall be used by the Bois
6.12 Forte Band to conduct a detailed feasibility
6.13 study of the economic and technical viability
6.14 of developing a multistream renewable
6.15 energy biofuels demonstration facility
6.16 on Bois Forte Reservation land to utilize
6.17 existing forest resources, woody biomass,
6.18 and cellulosic material to produce biofuels or
6.19 bioenergy. The grant recipient must actively
6.20 participate in the Agricultural Utilization
6.21 Research Institute's Renewable Energy
6.22 Roundtable and no later than February 1,
6.23 2009, must report to the house and senate
6.24 committees with jurisdiction over agriculture
6.25 finance. This is a onetime appropriation and
6.26 is available until spent.

6.27 \$300,000 the first year is for a grant to
6.28 the White Earth Band of Chippewa for a
6.29 feasibility study of a renewable energy
6.30 biofuels production, research, and production
6.31 facility on the White Earth Reservation in
6.32 Mahnomen County. The grant must be used
6.33 by the White Earth Band and the University
6.34 of Minnesota to conduct a detailed feasibility
6.35 study of the economic and technical viability
6.36 of (1) developing a multistream renewable

7.1 energy biofuels demonstration facility on
7.2 White Earth Reservation land to utilize
7.3 existing forest resources, woody biomass,
7.4 and cellulosic material to produce biofuels or
7.5 bioenergy, and (2) developing, harvesting,
7.6 and marketing native prairie plants and seeds
7.7 for bioenergy production. The grant recipient
7.8 must actively participate in the Agricultural
7.9 Utilization Research Institute's Renewable
7.10 Energy Roundtable and no later than
7.11 February 1, 2009, must report to the house
7.12 and senate committees with jurisdiction
7.13 over agriculture finance. This is a onetime
7.14 appropriation and is available until spent.
7.15 \$200,000 the first year is for a grant to the Elk
7.16 River Economic Development Authority for
7.17 upfront engineering and a feasibility study
7.18 of the Elk River renewable fuels facility.
7.19 The facility must use a plasma gasification
7.20 process to convert primarily cellulosic
7.21 material, but may also use plastics and other
7.22 components from municipal solid waste, as
7.23 feedstock for the production of methanol
7.24 for use in biodiesel production facilities.
7.25 Any unencumbered balance in fiscal year
7.26 2008 does not cancel but is available for
7.27 fiscal year 2009. Notwithstanding Minnesota
7.28 Statutes, section 16A.285, the agency must
7.29 not transfer this appropriation. The grant
7.30 recipient must actively participate in the
7.31 Agricultural Utilization Research Institute's
7.32 Renewable Energy Roundtable and no
7.33 later than February 1, 2009, must report
7.34 to the house and senate committees with
7.35 jurisdiction over agriculture finance. This is

8.1 a onetime appropriation and is available until
8.2 spent.
8.3 \$200,000 the first year is for a grant to
8.4 Chisago County to conduct a detailed
8.5 feasibility study of the economic and
8.6 technical viability of developing a
8.7 multistream renewable energy biofuels
8.8 demonstration facility in Chisago, Isanti,
8.9 or Pine County to utilize existing forest
8.10 resources, woody biomass, and cellulosic
8.11 material to produce biofuels or bioenergy.
8.12 Chisago County may expend funds to Isanti
8.13 and Pine Counties and the University of
8.14 Minnesota for any costs incurred as part
8.15 of the study. The feasibility study must
8.16 consider the capacity of: (1) the seed bank
8.17 at Wild River State Park to expand the
8.18 existing prairie grass, woody biomass, and
8.19 cellulosic material resources in Chisago,
8.20 Isanti, and Pine Counties; (2) willing and
8.21 interested landowners in Chisago, Isanti, and
8.22 Pine Counties to grow cellulosic materials;
8.23 and (3) the Minnesota Conservation Corps,
8.24 the sentence to serve program, and other
8.25 existing workforce programs in east central
8.26 Minnesota to contribute labor to these efforts.
8.27 The grant recipient must actively participate
8.28 in the Agricultural Utilization Research
8.29 Institute's Renewable Energy Roundtable and
8.30 no later than February 1, 2009, must report
8.31 to the house and senate committees with
8.32 jurisdiction over agriculture finance. This is
8.33 a onetime appropriation and is available until
8.34 spent.

8.35 Sec. 3. **EFFECTIVE DATE.**

9.1 Sections 1 and 2 are effective the day following final enactment.