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BILL ANALYSIS

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Senate Bill 1340 (Substitute S-1 as reported by the Committee of the Whole)

Sponsor: Senator Leon Stille

Committee: Farming, Agribusiness and Food Systems

CONTENT

The bill would create the "Agricultural Development Fund Act" to provide for the creation of the Agricultural Development Fund for the purpose of making grants intended to increase value-added processing ventures and to expand agricultural processing and agricultural production in targeted areas. The bill would require that appropriations, money from the Uncollectibles Allowance Fund and from any other source provided by law, and interest earnings on deposits in the proposed Fund be credited to the Agricultural Development Fund. The bill would create the Agriculture Development Advisory Board to review and recommend grant proposals.

(Under the Michigan Administrative Code, Rule 460.2135 requires a utility to establish and administer an Uncollectibles Allowance Recovery Fund. Each year the utility must deposit into the Fund the difference between the uncollectibles provision as recorded on the utility's financial records for 1999 less the provision as recorded on the utility's financial records in each subsequent fiscal year. The utility is to retain 25% of the funds, and contribute 75% to the Michigan Clean Air Fund for programs or projects established to reduce oxides of nitrogen and volatile organic compounds.)

Legislative Analyst: L. Arasim

FISCAL IMPACT

The bill could result in the redirection of State revenue between State programs. It is assumed that the bill would affect only the State's 75% portion of the Uncollectibles Allowance Fund, as 25% of the money in each utility's fund is retained by the utility annually. The bill would redirect State funding from the Clean Air Fund to the Agricultural Development Fund for the purpose of making grants to increase value-added processing ventures.

The bill could result in additional State resources directed toward value-added processing ventures should the Agricultural Development Fund receive appropriations in addition to revenue from the Uncollectibles Allowance Fund. The Legislature would have to appropriate funds from the Agricultural Development Fund for value-added processing grants.

It is unclear, at this time, whether there will be revenue from the Uncollectibles Allowance Fund that would be available for deposit in the Agricultural Development Fund. Proposed administrative rules currently before the Public Service Commission would rescind the rule that establishes the Uncollectibles Allowance Fund and direct the disposition of the money to the Fund. Should the proposed rules gain approval, utilities will not be required to deposit money in their Uncollectibles Allowance Fund.

Finally, Public Act 291 of 2000 appropriates \$5.0 million from the Uncollectibles Allowance Recovery Fund for agricultural development initiatives. Boilerplate language in the Act states that these funds may not be spent until legislation is enacted to create the Uncollectibles Allowance Recovery Fund and prescribe its uses. Senate Bill 1340 (S-1), however, would create the Agricultural Development Fund, rather than the Uncollectibles Allowance Recovery Fund, and the boilerplate provision requiring the creation of that Fund has not otherwise been met. Therefore, there is no revenue source for the \$5.0 million appropriation.

Date Completed: 9-26-00

Fiscal Analyst: C. Thiel

floor/sb1340 (S-1)

Analysis available @ <http://www.michiganlegislature.org>

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