

Legislative Analysis



POLLUTION PREVENTION FUND

Mitchell Bean, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

Senate Bill 722 as passed by the Senate
Sponsor: Sen. Liz Brater

Senate Bill 723 as passed by the Senate
Sponsor: Sen. Raymond E. Basham

House Committee: Land Use and Environment
Senate Committee: Natural Resources and Environmental Affairs

First Analysis (7-14-04)

BRIEF SUMMARY: The bills would increase the maximum loan amount from the Small Business Pollution Prevention Assistance Revolving Loan Fund from \$50,000 to \$150,000 for eligible small businesses, and amend the definition of "small business" to include those employing 500 or fewer individuals (up from 100 employees).

FISCAL IMPACT: Senate Bills 722 and 723 would have no fiscal impact.

THE APPARENT PROBLEM:

The Small Business Pollution Prevention Loan Program (sometimes called the P2 program), funded in part by the Clean Michigan Initiative bond approved by voters in 1998, provides low-interest loans to small business owners seeking to reduce or eliminate waste generated, energy used, or hazards to public health associated with waste generated at the business.

An owner of an independent company with 100 or fewer employees and not dominant in its field may apply for a low-interest loan of up to \$100,000 to implement pollution prevention projects. Half of the loan comes from state funds available through the CMI, and the other half is provided by a lending institution through a loan participation arrangement with the Department of Environmental Quality. Now in its third year of operation, the P2 Fund has provided 21 loans to Michigan businesses and is operating at a surplus.

Because of the program's success, some people believe that the ceiling on loan amounts should be raised, and that larger businesses should be eligible to apply for the loans.

THE CONTENT OF THE BILLS:

The bills would amend Part 145 (Waste Reduction Assistance) of the Natural Resources and Environmental Protection Act to increase the maximum loan amount from the Small Business Pollution Prevention Assistance Revolving Loan Fund to eligible small businesses; and to amend the definition of "small business" to include those employing

500 or fewer individuals. The bills are tie-barred to each other. A more detailed explanation of each bill follows.

Senate Bill 723 would amend the Natural Resources and Environmental Protection Act (MCL 423.14513) to require the Department of Environmental Quality to use the revolving loan fund to provide loans to small businesses to implement pollution prevention projects. For each of these loans, the money would have to be disbursed by the department to a lending institution that had entered into a loan participation agreement with the department. (Currently under the act, the department must use the fund to provide loans to small businesses to implement pollution prevention recommendations made in the Retired Engineers Technical Assistance Program (RETAP) audits, and for other qualifying pollution prevention expenditures. The bill would delete that language.

Currently, the maximum loan from the fund is \$50,000. Under the bill, the maximum loan amount would increase to \$150,000.

"Qualifying pollution prevention expenditures" means equipment or technology modifications, process or procedure modifications, reformulation or redesign of products, substitution of raw materials, and improvements in housekeeping, maintenance, training, or inventory control that reduce the amount of environmental waste or reduce the hazards to public health and the environment associated with environmental waste. The bill would delete this definition.

Senate Bill 722 would amend the Natural Resources and Environmental Protection Act (MCL 324.14501) to redefine "small business," in order to increase the maximum number of employees to 500. Currently, Part 145 of the act defines a "small business" as a business that is independently owned or operated by a person who employs 100 or fewer individuals; is not dominant in its field as defined in federal regulations; and is a small business concern as defined in the Federal Small Business Act. The bill would retain these provisions, but increase the maximum number of employees to 500.

The bill also would permit the DEQ to promulgate rules to implement and administer Part 145.

HOUSE COMMITTEE ACTION:

The House Land Use and Environment Committee reported out the Senate-passed versions of both Senate Bill 722 and Senate Bill 723. Information in this analysis is derived from the Senate Fiscal Agency analysis of the bills dated 5-11-04.

ARGUMENTS:

For:

Expanding the Small Business Pollution Prevention Loan Program to include larger companies and increasing the amount of money that may be borrowed from the fund would enable more independent businesses to reduce pollution. Since the program's

inception, a variety of businesses--including dry cleaners (who make up about 50 percent of the applicants), dentists, metal finishers, agricultural operators, automotive companies, and golf courses--have applied for loans. Officials with the DEQ who administer the P2 Program provided estimates of some of the pollution reduced annually as a result of the loans. These include 30,000 pounds of solid waste, 75 gallons of perchlorethylene solvent and sludge (byproducts of dry cleaning), and 438 cubic yards of manure waste. In addition, the Department estimates that over 23 million gallons of water and 12,000 kilo watts per year have been conserved because of P2 loans.

Expanding the program so that larger businesses could take advantage of these savings and contribute to greener practices would not require any new funds; the loan fund currently contains more than the \$5 million that was originally set aside for its use. Raising the cap on the loan amount would enable businesses to install more pollution-saving measures. Currently, under the act, the maximum loan from the fund may not exceed at \$50,000; a bank then matches that amount, so the maximum amount loaned may not exceed \$100,000. The bill would enable business to borrow up to \$150,000 from the fund and, if a bank matched that amount, up to \$300,000 total.

The P2 Loan Program is an excellent marriage of conservation and business interests. In most cases, pollution reduction and energy conservation save companies money. According to the Small Business Association of Michigan, energy efficient products can reduce energy costs by up to 25 percent and improve productivity. Savings can be passed along to the customer, and/or lead to the company's expansion. More green businesses would improve the environmental health of the state and its citizens. More profitable businesses would improve the economic health of the state and its citizens. The bill would expand on the P2 Program's success at fostering both.

POSITIONS:

The Department of Environmental Quality supports the bill. (7-6-04)

Legislative Analyst: J. Hunault
Fiscal Analyst: Kirk Lindquist

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.