Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bills 722 and 723 (as enrolled)
Sponsor: Senator Liz Brater (S.B. 722)
Senator Raymond E. Basham (S.B. 723)
Committee: Natural Resources and Environmental Affairs

Date Completed: 5-11-04

RATIONALE

The Small Business Pollution Prevention (P2) Loan Program, funded in part by the Clean Michigan Initiative (CMI) 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 (DEQ). 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.

CONTENT

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

Under the Act, the Department of Environmental Quality 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. Under the bill, the DEQ instead would have to use the 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 DEQ.

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

Part 145 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 increase the maximum number of employees to 500.

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

MCL 324.14501 et al. (S.B. 722)
MCL 324.14513 (S.B. 723)

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

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% 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% 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.

Legislative Analyst: Claire Layman

FISCAL IMPACT

The bills would have no fiscal impact on State or local government.

Fiscal Analyst: Jessica Runnels

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