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BILL ANALYSIS

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Senate Bill 1349 (Substitute S-1)
Sponsor: Senator Jim Barcia
Committee: Appropriations

Date Completed: 9-8-04

CONTENT

The bill would amend Public Act 105 of 1855, which governs the types of investments that the State Treasurer may make with surplus State funds, to require the State Treasurer to subordinate a $5.0 million loan to the primary loan of a sugar beet growers' cooperative (Michigan Sugar Beet Growers, Inc.). Further, the bill would require the first payment on the outstanding balance of the loan within 10 years. Currently, the loan has a term of five years. In addition, the bill would allow the loan to be repaid over a term of 20 years from the date of the first payment. This would effectively make the term of the loan 30 years.

Public Act 123 of 2001 authorized the State Treasurer to make a $5.0 million zero-interest loan from surplus funds to Michigan Sugar Beet Growers, Inc. to purchase the Monitor Sugar Company. This loan is required to be repaid within five years. The sale to the Michigan Sugar Beet Growers, Inc. was completed in February 2002.

MCL 21.142e

FISCAL IMPACT

The bill would require the term of the zero-interest loan of $5.0 million made to Michigan Sugar Beet Growers, Inc. to be extended from five years to 30 years. This would decrease the interest earnings of State surplus funds as the growers' cooperative would not begin repayment of the loan until sometime in 2014, as opposed to fully repaying the loan in 2007. Final repayment of the loan would not be made until sometime in 2034. Using an average 5.0% return on investment of State surplus funds, the General Fund would lose about $250,000 annually.

Fiscal Analyst: Craig Thiel

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