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BILL ANALYSIS

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Senate Bill 538 (as introduced 5-25-05)
Sponsor: Senator Cameron S. Brown
Committee: Agriculture, Forestry and Tourism

Date Completed: 5-25-05

CONTENT

The bill would amend Part 145 (Waste Reduction Assistance) of the Natural Resources and Environmental Protection Act to allow an eligible farmer to receive a loan, of up to \$200,000, from the Small Business Pollution Prevention Assistance Revolving Loan Fund for a pollution prevention project involving the use of agricultural biomass by an energy production system.

Under the Act, the Department of Environmental Quality (DEQ) must spend money from the Fund for loans to small businesses to implement pollution prevention projects. For each loan, the DEQ must disburse the money to a lending institution that has entered into a loan participation agreement with the Department.

The bill would amend the definition of "pollution prevention" to include the use of agricultural biomass by a qualified agricultural energy production system. To be eligible for a loan from the Fund, an applicant seeking to implement this type of pollution prevention project would have to be an eligible farmer, and be verified under the Michigan Agriculture Environmental Assurance Program established by Michigan State University in conjunction with agricultural producers and other interest groups. The applicant also would have to have applied for one or more of the following:

- A grant under the renewable energy systems and energy efficiency improvements program created under 7 USC 8106.
- A conservation innovation grant under 16 USC 3839aa-8.
- A grant from any other Federal program that provides assistance for qualified agricultural energy production systems.
- A contract to receive a cost-share payment for a structural practice under the environmental quality incentives program under 16 USC 3839aa to 3839aa-7.

Presently, a loan from the Fund may not exceed \$150,000 and a small business may not receive more than one loan in any three-year period. Under the bill, a loan for a project involving agricultural biomass could not exceed \$200,000. This type of project could not receive more than one loan, whether or not it was a small business.

The bill would define "eligible farmer" as a person who processes agricultural products or a person who is engaged as an owner-operator of a farm in the production of agricultural goods as defined in Section 35(1)(h) of the Single Business Tax Act. The term would not include a person who had been found guilty of a criminal violation, or determined responsible for two or more civil violations, under Part 31 (Water Resources Protection) of the Natural Resources and Environmental Protection Act within a one-year period

immediately preceding the loan application date. (Under Section 35(1)(h) of the Single Business Tax Act, "production of agricultural goods" means commercial farming, including cultivation of the soil; growing and harvesting of an agricultural, horticultural, or floricultural commodity; dairying; raising of livestock, bees, fish, fur-bearing animals, or poultry; or turf or tree farming.)

The bill would define "agricultural biomass" as residue and water generated from the production and processing of agricultural products, animal waste, or food processing wastes.

"Qualified agricultural energy production system" would mean the structures, equipment, and apparatus to be used to produce a gaseous fuel from the noncombustive decomposition of agricultural biomass and the apparatus and equipment used to generate electricity or heat from the gaseous fuel or store the fuel for future generation of electricity or heat. A system could include, but would not be limited to, a methane digester, biomass gasification technology, or thermal depolymerization technology.

MCL 324.14501 & 324.14513

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would have no fiscal impact on the State. It would expand the uses of the revolving loan fund and allow larger loan amounts, but it would not make additional funds available.

The bill could result in indirect savings to the State due to the reduction of agricultural biomass disposed of through current waste disposal methods. This could lead to less pollution requiring treatment and a reduced demand for waste disposal sites.

Fiscal Analyst: Jessica Runnels

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.