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Senate Bill 134 (as introduced 1-29-09)
Sponsor: Senator Gerald Van Woerkom
Committee: Agriculture and Bioeconomy

Date Completed: 3-2-09

CONTENT

The bill would amend the Julian-Stille Value-Added Act to do the following:

- **Transfer the administration of the agricultural value-added grant program from the Agriculture Commission to the Michigan Department of Agriculture (MDA).**
- **Allow the Agriculture Development Fund to be used for grants only, eliminating provisions under which the Fund also may be used for low-interest loans and loan guarantees for qualified agricultural loans.**
- **Require the Michigan Clean Air Fund to be used for grants only, rather than grants and loans.**
- **Designate the MDA as the administrator of the Agricultural Development Fund, and the Department of Environmental Quality (DEQ) as the administrator of the Michigan Clean Air Fund for auditing purposes.**

Value-Added Grant Program

The Act requires the MDA to establish and administer an agricultural value-added grant program. Currently, the Agriculture Commission must award grants from the Fund for projects designed to establish, retain, expand, attract, or develop value-added agricultural processing and related agricultural production operations in the State. Under the bill, the MDA Director, with the consent of the Commission, would have to award those grants.

In approving a grant, the Agriculture Commission must state the specific objective reasons supporting the selection of the applicant over competing applicants. The bill, instead, would require the MDA Director to provide supporting documentation on the selection of approved applicants to the Commission.

The Act requires a joint evaluation committee to assist and provide recommendations to the Commission in identifying high-quality projects for funding based upon the selection criteria and scoring system approved by the Commission. Under the bill, the committee would have to assist and make recommendations to the MDA, rather than the Commission.

The MDA must establish a competitive process to award grants. The process must include, among other provisions, a preference for proposals that are attempting to secure a license for agricultural-related intellectual property to be produced in Michigan. The bill would permit, but not require, a preference to be made for proposals that had secured such a license.

Low-Interest Loans, Loan Guarantees

The Act requires the MDA, in cooperation with the Department of Treasury and Michigan financial institutions, to establish a low-interest loan program in a manner similar to the qualified agricultural loan program established in Section 2a of Public Act 105 of 1855, or a loan guarantee program to provide qualified agricultural loans.

(The 1855 Act governs the disposition of surplus State funds. Section 2a provides for loans to agricultural producers or businesses engaged in buying, selling, or trading agricultural products that have suffered significant losses in one agricultural commodity because of an agricultural or natural disaster.)

The Department of Treasury must give the MDA any necessary assistance required to establish the program. The MDA must work with financial institutions in the State to establish a certification system to verify that loan applicants are requesting qualified agricultural loans.

As part of a low-interest loan program or a loan guarantee program, the MDA must work with the Department of Treasury to establish agreements with participating financial institutions, and ensure that they do not refinance prior debt.

Also as part of a low-interest loan program, the MDA must ensure that a loan does not exceed a term of five years, that the first payment made by the recipient occurs within 24 months after the date of the loan, and that the interest rate charged by participating financial institutions does not exceed 50% of the prime lending rate in Michigan plus 1%.

As part of a loan guarantee program, the MDA must maintain a list of financial institutions that will participate in the program, and ensure that participating financial institutions require adequate collateral and fully liquidate all collateral before calling on the loan guarantees. The MDA also must establish a loan guarantee of not more than 90% of a financial institution's loss after all alternatives to collect have been exhausted.

The bill would delete all of these provisions, as well as a requirement that the State Treasurer credit to the Agricultural Development Fund any money representing loan repayments and interest on the loans.

The bill would designate the MDA as the administrator of the Fund for auditing purposes.

Clean Air Fund

The Value-Added Act created the Michigan Clean Air Fund within the Department of Treasury, to be administered by the DEQ. Money in the Fund must be used to provide grants and loans to individuals, private and public corporations, and local units of government for programs or projects established to reduce nitrogen oxides and volatile organic compounds, and for the administration of the grant and loan program.

The bill would remove the references to loans in these provisions. The bill also would designate the DEQ as the administrator of the Fund for auditing purposes.

Definitions

The bill would delete the definitions of "qualified agricultural loan" and "specialty crops".

"Qualified agricultural loan" means a loan for projects designed to establish, retain, attract, or develop value added agricultural processing and related agricultural production operations in the State. "Specialty crops" include any agricultural commodity except wheat,

feed grains, oil seeds, cotton, rice, peanuts, and tobacco, as well as products derived from those commodities.

MCL 285.302 et al.

Legislative Analyst: Curtis Walker

FISCAL IMPACT

In fiscal year 2005-06, \$10.0 million was appropriated from the 21st Century Jobs Trust Fund to the Agricultural Development Fund, with \$5.0 million designated for a value-added grants program and \$5.0 million for low-interest agricultural loans. The loan program has not been implemented and the bill would revise the statute to allow the entire \$10.0 million to be spent through the grants program. The loans were designed to function as a revolving loan program to continue the program indefinitely. This function would be eliminated under the bill since the grantees would not have to repay the grant awards.

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.