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BILL



ANALYSIS

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House Bill 5717 (Substitute S-2 as reported)  
Sponsor: Representative Ray A. Franz  
House Committee: Agriculture  
Senate Committee: Agriculture

## **CONTENT**

The bill would create the "Agricultural Disaster Loan Origination Program Act" to do the following:

- Allow the State Treasurer to establish a "qualified agricultural loan origination program" under which a qualified financial institution would make low-interest loans to certain farmers, agricultural processors, and farm-related retailers.
- Require the State to pay loan origination fees for administrative costs incurred by a qualified financial institution, in five equal installments by September 30, 2016.
- Specify financial institutions' responsibilities under the Act, including reporting to the State Treasurer and forwarding to the Treasurer, upon request, affidavits executed by people who received loans.
- Require the Department of Treasury to spend up to \$15.0 million to pay for loan origination fees or loan guarantee or collateral support mechanisms, if that amount were appropriated.
- Cap at \$3.0 million the amount of that appropriation that could be used for loans to agricultural processors and farm-related retailers.
- Specify that the appropriation would be a work project appropriation and that unencumbered or unallotted funds would be carried forward into the following fiscal year.

The proposed Act would be repealed on February 15, 2018.

"Qualified financial institution" would mean a financial institution that has a physical location and/or principal office in Michigan. "Financial institution" would mean a State or national bank, a State- or federally chartered savings and loan association, a State- or federally chartered credit union, or other regulated lending institution that maintains a principal office or branch in Michigan under the laws of this State or the United States, including an entity of the federally chartered farm credit system.

"Qualified agricultural loan" would mean a loan made under the proposed Act to farmers, agricultural processors, or farm-related retail sales operations who suffered certain losses due to an agricultural disaster recognized by the Governor and occurring after January 1, 2012. A loan could be made to the following:

- A person engaged in and intending to remain engaged in Michigan as an owner or operator of a farm that suffered a loss of 25% or more in major enterprises or production loss of 50% or more in any one crop.
- A person engaged and intending to remain engaged in Michigan in an agricultural business of buying, exchanging, processing, storing, or selling farm produce, that suffered a 50% or greater loss in volume of one commodity compared with the average volume of that commodity the business handled in the prior three years.

- A person engaged and intending to remain engaged in Michigan in the business of making retail sales directly to farmers, with 75% or more of the person's gross retail sales volume exempted from the sales tax (for sales to a business enterprise using the product in certain farming, livestock, horticultural, and fishing operations), that suffered a 50% or greater reduction in gross retail sales volume subject to the exemption in the prior three years.

Legislative Analyst: Patrick Affholter

### **FISCAL IMPACT**

The bill would authorize the State Treasurer to pay loan origination fees of 5% of eligible agricultural loans. The bill would set a cap of \$15.0 million on the total amount of State funds that could be used for the program prior to September 30, 2016; however, the bill does not make an appropriation. Funds for the program would not be available to the Department of Treasury unless appropriated in a supplemental bill. If appropriated, the loan origination fees would be paid by the Department of Treasury in five equal installments by September 30, 2016. Senate Bill 871 as passed by the Senate (an FY 2011-12 supplemental) included an appropriation of \$15.0 million in General Fund/General Purpose (GF/GP) revenue for this program.

Date Completed: 6-14-12

Fiscal Analyst: Elizabeth Pratt

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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.