

Legislative Analysis



AUTHORIZE ONLY GRANTS, NOT LOANS, UNDER JULIAN-STILLE VALUE-ADDED ACT PROGRAMS

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Senate Bill 1244 (Substitute H-1)
Sponsor: Sen. Michelle A. McManus
House Committee: Agriculture
Senate Committee: Agriculture

Complete to 12-2-08

A SUMMARY OF SENATE BILL 1244 AS REPORTED BY HOUSE COMMITTEE 12-2-08

The bill would amend the Julian-Stille Value-Added Act to eliminate the authority of the Michigan Department of Agriculture (MDA) to make loans or loan guarantees under the following two programs, allowing the MDA to only issue grants: (1) the Agricultural Value-Added Grant Program; and (2) the Agricultural Development Fund (to be renamed the Agricultural Development Grant Fund). It also would eliminate the authority of the Department of Environmental Quality (DEQ) to make loans under the Michigan Clean Air Fund, allowing the department only to award grants.

The Agricultural Value-Added Grant Program. The bill would make the following changes to this program:

- Transfer authority to award grants from the Agriculture Commission to the MDA director with the consent of the Agriculture Commission.
- Require the MDA to provide supporting documentation regarding approved applicants to the Agriculture Commission for recommendations by the joint evaluation committee.
- Require the MDA director, not the Agriculture Commission, to ensure that grant recipients do not use grant money for a casino or other gaming enterprise.
- Amend the competitive bid process, which currently requires a preference for proposals that are attempting to secure an intellectual property license, to allow, but not require, a preference for proposals that have actually secured a license.
- Eliminate the authority of the MDA to make low-interest loans and loan guarantees along with all references to loans and loan guarantees.
- Eliminate the current definition of "specialty crops."

Agricultural Development Fund. The bill would make the following changes to this fund, currently described as a revolving fund:

- Eliminate the current requirement that at least 90 percent of the money appropriated to this fund from the 21st Century Jobs Trust Fund be used for loans and loan guarantees, and that not more than 10 percent be used for grants. Instead, the fund,

- would become a grant-only program. The maximum grant available would remain at \$250,000. [Note: On page 11, line 10, the fund is still referred to as a revolving fund although the bill would apparently change this.]
- Eliminate the current statutory requirement that money representing loan repayments or interest on loans be credited to the fund.
 - Rename the fund the "Agricultural Development *Grant* Fund," in Section 2(1)(e), but leave it the "Agricultural Development Fund" in Section 2a(1).

Michigan Clean Air Fund. The stated purpose of this fund, administered by the Department of Environmental Quality (DEQ), is to make grants and loans for programs and projects that reduce nitrogen oxides and volatile organic compounds. The bill would eliminate the department's authority to make loans, allowing it only to award grants.

Repealer. This bill, originally introduced in March 2008, would repeal Section 2b of the act, which previously required the MDA director to convene an agricultural roundtable. This repealer section is now unnecessary because Section 2b was repealed by operation of a sunset provision on September 29, 2008. [But a remaining reference to the already-defunct Section 2b on page 2, line 7 should probably be eliminated.]

Tie-bar. As passed by the Senate, the bill was tie-barred to Senate Bill 1497 which would create a new agricultural loan guarantee program with bonding authority called the "George A. McManus, Jr. Agricultural Innovation Loan Guarantee Act." The House Committee removed this tie-bar.

MCL 285.302, 285.302a, 285.303

FISCAL IMPACT:

A fiscal analysis is in process.

POSITIONS:

The Department of Agriculture supports the bill. (12-2-08)

The Michigan Farm Bureau supports the bill. (12-2-08)

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.