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BILL ANALYSIS

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Senate Bill 228 (Substitute S-2)
Sponsor: Senator Gerald Van Woerkom
Committee: Agriculture, Forestry and Tourism

Date Completed: 3-16-05

CONTENT

The bill would create the "Rural Agricultural Recruitment Act" to require the Michigan Higher Education Assistance Authority to establish a loan repayment program that would reimburse a percentage of educational loans incurred by up to 1,000 eligible agricultural employees in rural areas per year.

Specifically, the bill would require the Authority to administer a partial repayment program for agricultural employees who had incurred eligible debt. The bill would define "eligible debt" as the total unpaid debt or expenses owed by an agricultural employee as a result of loans taken to attend an associate degree or bachelor's degree program at an eligible institution, calculated at the time he or she first applied for a repayment under the proposed Act.

After every year of continuous eligible agricultural employment, for up to 10 years, the Authority could repay up to 2.5% of the agricultural employee's eligible debt, or \$750, whichever was less.

The Authority could not provide repayment of eligible debt to more than 1,000 recipients in the 2005 State fiscal year or to more than 1,000 new recipients in each subsequent fiscal year. Recipients would have to be selected based on the order applications were received by the Authority from eligible individuals.

"Eligible agricultural employment" would mean full-time employment at an agricultural facility located in a rural area or engaging in veterinary practice in a rural area, primarily as a large animal veterinarian. "Rural area" would be defined as a county in the State with a population of 70,000 or less. "Agricultural facility" would mean land, or a building or other improvement on or to land, used for "agricultural processing" (defined below).

An individual would have to meet all of the following criteria, in order to be eligible for repayment of eligible debt:

- He or she had completed the period of continuous eligible agricultural employment required under the bill.
- He or she had received an associate or bachelor's degree from an approved institution after the 2003-2004 academic year and before beginning his or her eligible agricultural employment.
- He or she was a United States citizen or permanent resident of the United States.
- He or she had resided continuously in the State for the completed period of eligible agricultural employment.

- He or she was in compliance with the bill and the rules promulgated under it.
- He or she had not been convicted of a felony involving an assault, physical injury, or death.
- He or she met any other standards established in rules promulgated by the Authority.

("Approved institution" would mean a degree- or certificate-granting public or independent nonprofit college or university, junior college, or community college in this State.)

In its sole discretion, the Authority could make a pro rata repayment of eligible debt for an agricultural employee who completed part of a year of eligible agricultural employment, paid to the employee or his or her estate, if one of the following occurred before that year of eligible employment was completed: 1) The employee died, 2) the employee was unable to continue performing eligible agricultural employment because of a permanent disability, or 3) the Authority found other extenuating circumstances that it considered to constitute a compelling reason to make a pro rata repayment for that partial year of eligible agricultural employment.

The Authority could accept funds from any source for the operation of the repayment program, and would have to distribute those funds in a manner consistent with the bill.

The Authority would have to determine the form of an application for repayment of eligible debt under the bill, and establish an application process.

The Authority could promulgate rules necessary for the implementation of its functions under the bill. The rules could include additional standards of eligibility for agricultural employees to receive repayment of eligible debt.

"Agricultural processing" would mean transforming, packaging, sorting, or grading livestock or livestock products, plants or plant products, or other agricultural commodities into goods that are used for intermediate or final consumption, including goods for nonfood use, or the manufacture, production, or construction of agricultural equipment, implements, and supplies. The term would include, but not be limited to, the following:

- Grain handling and processing, including grain storage, drying, treatment, conditioning, milling, and packaging.
- Seed and feed grain development and processing.
- Fruit and vegetable processing, including preparation, canning, and packaging.
- Processing of livestock and livestock products, dairy products, poultry and poultry products, fish, or apiarian products, including slaughter, shearing, collecting, preparation, canning, and packaging.
- Fertilizer and agricultural chemical manufacturing, processing, application, and supplying.
- Farm machinery, equipment, and implement manufacturing and supplying.
- Manufacturing and supplying of agricultural commodity processing machinery and equipment, including machinery and equipment used in slaughter, treatment, handling, collecting, preparation, canning, or packaging of agricultural commodities.
- Construction, manufacturing, implementation, supplying, or servicing of irrigation, drainage, and soil and water conservation devices or equipment.
- Fuel processing and development for the production of fuel from agricultural commodities or by-products.
- Processing and packaging of agricultural commodities specifically for export.
- Forestry product processing and supplying, including sawmilling, wood chipping, timber harvesting, and manufacturing of prefabricated buildings, paper, furniture, or other goods from forestry products.
- Facilities and equipment for research and development of products, processes, and equipment for the production, processing, preparation, or packaging of agricultural commodities and by-products.

"Agricultural commodities" would include, but not be limited to, the products of aquaculture, hydroponics, and silviculture.

Legislative Analyst: Claire Layman

FISCAL IMPACT

The bill could create an obligation for the State of up to \$750,000 in the 2005-06 fiscal year. The obligation could increase by as much as an additional \$750,000 each year in future years. After 10 years, the State's obligation would reach a maximum and could be as much as \$7.5 million per year. The actual fiscal impact of the bill would depend upon the amount the Legislature chose to appropriate to fund the proposed loan repayment program and participation rates for the program. Secondary impacts, such as retaining certain graduates or postponing a date in which they might move from the State, are likely to be minimal. It is impossible to estimate how many individuals would enroll under the proposed program.

This analysis is based on a number of assumptions, some of which concern issues not addressed in the bill. For example, "full-time employment" in the definition of "eligible agricultural employment" is not defined, nor is "engaging in veterinary practice." It is unclear if an individual owning a small plot of land in a rural county would qualify if he or she operated a small storage facility, farmed the land at any level, or purchased a backhoe, chainsaw, or wood chipper and established a business to supplement his or her existing income, or even enrolled the property in a farm program to leave the land fallow. Similarly, any involvement in a veterinary practice in a rural area would apparently be sufficient to qualify for benefits under the bill. Furthermore, determining eligible debt could be difficult, particularly when consolidation or partial repayment had occurred and/or the borrower had obtained education eligible for loans but not for repayment under the bill. An example is a borrower who had \$3,000 in loans as an undergraduate and another \$5,000 in graduate loans and had consolidated the loans into an \$8,000 loan, of which \$4,000 had been repaid. It is unclear what portion of the borrower's outstanding debt would be eligible for repayment under the bill.

Finally, the bill would allow debts to be partially repaid if incurred while the recipient was attending a program at an "eligible institution", a term that is not defined (although "approved institution" is defined in the bill).

The bill would provide the Authority with rule-making power, but the requirements that would be imposed by those rules presently are unknown. Therefore, any ambiguous aspects of the bill could cause the fiscal impact to vary drastically from the sample impact illustrated above. The costs of administering the program are currently unknown.

This estimate is preliminary and will be revised as new information becomes available.

Fiscal Analyst: David Zin

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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.