



Senate Fiscal Agency
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Senate Bill 691 (Substitute S-1 as passed by the Senate)
Sponsor: Senator Sam Singh
Committee: Natural Resources and Agriculture

(enrolled version)

Date Completed: 3-18-24

RATIONALE

The Act allows the Michigan Department of Agriculture and Rural Development (MDARD) to establish agriculture commodity marketing programs and requires a commodity committee to administer each program. The Department generally has oversight of these committees.¹ According to testimony before the Senate Committee on Natural Resources and Agriculture, the vegetable industry has the smallest commodity committees, such as the Carrot Commission and Onion Committee. The assessment dollar amounts brought in by these committees are crucial to the financing of marketing and research. Audits are necessary to remain in compliance with the Act but are time consuming and expensive to conduct. It has been suggested that committees that fall under a certain assessment threshold be audited less frequently to reduce the financial burden and time constraints in completing frequent audits.

CONTENT

The bill would amend the Agriculture Commodities Marketing Act to modify auditing requirements for commodity committees.

The Act provides for the establishment of agriculture commodity marketing programs which generally promote and research agricultural products in the State and are funded by assessments on affected producers. All money, assets, and other items of value collected by a marketing program is not State money and must be deposited into a financial institution. Money may only be disbursed under certain conditions and audits must be conducted by a certified public accountant.

Currently, a commodity committee with annual assets of \$50,000 or less based on a three-year average must be audited twice between referenda and have a financial review conducted in the years it was not audited. Instead, under the bill, a committee with annual collected producer assessments of \$40,000 or less, based on a three-year average, would have to be audited once in the second or third year between referenda. The bill specifies that it would not prevent MDARD from conducting oversight activities authorized by the Act.

MCL 290.658

PREVIOUS LEGISLATION

(This section does not provide a comprehensive account of previous legislative efforts on this subject matter.)

The bill is a reintroduction of Senate Bill 977 of the 2021-2022 Legislative Session. Senate Bill 977 passed the Senate but received no further action.

¹ According to MDARD, there are currently 15 commodity committees, including committees concerned with apples, blueberries, and dairy, among other agricultural products.

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The Act prescribes the same auditing requirements for all commodity committees. The time and cost to comply with an audit to remain eligible as a commodity committee is too significant for committees with annual assessments under \$40,000. According to testimony before the Senate Committee on Natural Resources and Agriculture, over the past five years, the Onion Committee's assessment revenue has ranged from \$24,000 to \$36,000, with four years under \$30,000. The Onion Committee writes about 36 checks and deposits about 36 amounts per year. Reportedly, the Onion Committee spends \$3,950 per audit to remain in compliance. The State does not gain additional information from audits at the current frequency because the Committee has consistent transactions. Committees with annual assets under \$40,000 are spending significant resources and time on audits instead of using assessment dollars for more valuable efforts like administering grants under the United States Farm Bill to secure Federal funding. Smaller committees should be audited less frequently.

Legislative Analyst: Eleni Lionas

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: Bruce R. Baker

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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.