

BIOMASS LOANS AND TAX EXEMPTIONS

Mitchell Bean, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

Senate Bill 953 (Substitute H-1)
Senate Bill 955 as passed by the Senate
Sponsor: Sen. Cameron S. Brown

Senate Committee: Agriculture, Forestry and Tourism
House Committee: Agriculture and Natural Resources

Complete to 9-8-04

A SUMMARY OF SENATE BILLS 953 AND 955 AS REPORTED FROM COMMITTEE

Senate Bill 953 (MCL 21.142g)

Senate Bill 953 would authorize the state treasurer to invest up to \$25 million in state surplus funds in certificates of deposits and other instruments of financial institutions for the purpose of providing loans to eligible farmers for the construction and operation of agricultural ethanol plants, methane digesters, and other agricultural energy production systems. The bill would amend Public Act 105 of 1855, which places conditions and limitations on the type of investments the state treasurer may make with surplus funds.

Investment agreements with financial institutions. The state treasurer would be permitted to enter into an investment agreement with financial institutions in the state that places certain conditions on the state's investment of surplus funds. The investment agreement would have to include the following:

- The term of the state's investment, which could not exceed 15 years.
- A provision specifying that interest accruing on the investment would not exceed interest earned by the financial institution on loans it made to eligible farmers.
- The interest rate at which the loans may be provided.
- A provision specifying that loans would have to be made within five years after the bill's effective date.
- A provision specifying that loans would have to be issued with a repayment period of not more than 15 years.
- A provision specifying that loans would not exceed \$5 million per applicant.
- A provision specifying that loans would not be provided to an applicant until the applicant certifies that he or she is an "eligible farmer" - that is, he or she processes agricultural products or is the owner-operator of a farm that produces agricultural

goods, and has not been found guilty of a criminal violation or responsible for a civil violation of Part 31 of the Natural Resources and Environmental Protection Act during the past year.

- The interest rate on any portion of the state's investment that has not been used as a loan by the financial institution within 90 days after the investment. The interest rate on any unused portion of the investment would be higher than the interest rate on the investments that have been used to provide loans, and would be applied retroactively to the date on which the investment was made.
- Incentives for the early repayment of the investment and the acceleration of payments in the event of a state cash shortfall, if required by the state treasurer.
- Other provisions as prescribed by the state treasurer.

In addition, the financial institution would have to annually file an affidavit with the state treasurer attesting that the institution is in compliance with the investment agreement.

Investment earnings. The bill provides that earnings from an investment made under the bill that exceed the average rate of interest earned during the same period on other surplus funds, except those invested for emergency municipal loans, would be credited to the general fund. If earnings from an investment are below the average rate of interest earned during the same period on other surplus funds, except those invested for emergency municipal loans, the general fund would be reduced by the amount of the deficiency on a prorated basis over the remaining term of the investment. In addition, a loss of principal from an investment would reduce general fund earnings by the amount of that loss on a prorated basis over the remaining term of the investment.

Report to the legislature. Each year, the state treasurer would submit a report to the legislature including (1) the number of eligible farmers receiving loans, (2) the number and amount of loans issued according to county, (3) the name of each financial institution participating in the loan program, and the amount invested in each institution.

Senate Bill 955 (MCL 211.9)

The General Property Tax Act exempts from property taxes property that is used in agricultural operations. The bill would specify that such property would include a methane digester and a methane digester electric generating system if the person claiming the exemption files an affidavit with the local tax collecting unit attesting that he or she has not been found guilty of a criminal violation or responsible for a civil violation, of Part 31 of the Natural Resources and Environmental Protection Act during the past year.

Legislative Analyst: Mark Wolf

■ 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.