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BILL ANALYSIS

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Senate Bill 1497 (Substitute S-1 as reported by the Committee of the Whole)
Sponsor: Senator Michelle A. McManus
Committee: Agriculture

CONTENT

The bill would enact the "George A. McManus, Jr. Agriculture Innovation Loan Guarantee Act" to do the following:

-- Create the Michigan Agriculture Innovation Finance Authority.
-- Create within the Authority the agriculture innovation loan guarantee programs to promote value-added agricultural processing, commercialization of agriculture technologies, processes, or products, and farming operations.
-- Require the Authority to establish an agriculture innovation loan guarantee program that would permit the purchase of real property, improvements, machinery, equipment, and operating needs for $5.0 million per loan guarantee transaction, for established agricultural processing and new ventures.
-- Allow the Authority to establish a loan guarantee program for beginning farmers and new farmers that would permit the purchase of real property, improvements, machinery, equipment, and operating needs for $1.0 million per farm unit.
-- Allow the Authority to establish an interest rate assistance program on a farm loan guarantee for beginning farmers, small farmers, and new ventures, and to provide an interest buy-down to participating lenders.
-- Limit a loan guarantee to 90% of the participating lender's loss.
-- Permit the Authority to issue bonds and notes.
-- Limit the aggregate principal amount of the Authority's outstanding bonds or notes, excluding refunding bonds or notes, to $40.0 million at one time.
-- Require the Authority to issue an annual report to the Governor and the Legislature.

The bill is tie-barred to Senate Bill 1244, which would amend the Julian-Stille Value Added Act to allow the Agriculture Development Fund to be used for grants only.

Legislative Analyst: Curtis Walker

FISCAL IMPACT

The bill would have an indeterminate fiscal impact on the State. The source of revenue to the Michigan Agriculture Innovation Finance Authority primarily would be fees, interest, and collateral on loans that it guaranteed. The members of its board would serve without compensation and operating expenses would be minimal.

The Authority also would have bonding authorization. Any debt obligations of the Authority would not be general obligations of the State nor would the Authority benefit from the full faith and credit of the State. Since the obligations and operations of the Authority would not be paid from existing State funds or revenue streams, existing programs would not be affected.

Date Completed: 11-12-08 Fiscal Analyst: Jessica Runnels