

Legislative Analysis



JULIAN-STILLE VALUE-ADDED ACT: MDA & DEQ TO ISSUE ONLY GRANTS, NOT LOANS

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Senate Bill 134

Sponsor: Sen. Gerald Van Woerkom

Senate Committee: Agriculture

House Committee: Agriculture

Complete to 3-10-09

A SUMMARY OF SENATE BILL 134 AS PASSED BY THE SENATE 2-19-09

Senate Bill 134 would amend the Julian-Stille Value-Added Act to allow only grants, not loans, to be issued from the Agricultural Development Fund, administered by the Michigan Department of Agriculture (MDA), and the Michigan Clean Air Fund, administered by the Department of Environmental Quality (DEQ). Senate Bill 134, as passed by the Senate, is virtually identical to House Bill 4116.

Agricultural Development Fund/Agricultural Value-Added Grant Program.

- Eliminate the authority of the MDA to issue loans or loan guarantees from the Agricultural Development Fund, allowing the MDA to only award grants.
- Rename the fund the Agricultural Development *Grant* Fund, and name the MDA as its administrator for audit purposes. (Although it would still be referred to in the act as a "revolving fund," the Agricultural Development Grant Fund would no longer be a revolving fund in the usual sense of the term.)
- Remove the definition of "specialty crops" and "qualified agricultural loan," and all references to loans, loan guarantees, or lending in the act.
- Transfer authority to award grants under the Agricultural Value-Added Grant Program from the Agriculture Commission to the MDA director, with the consent of the Commission; require the MDA director, not the Commission, to make sure that grant recipients do not use grant money for casinos or other gaming enterprises.
- Require the MDA director to provide supporting documentation on the selection of grant recipients instead of providing specific objective reasons supporting the selection of one applicant over competing applicants.
- Allow, but not require, a preference for grant proposals that have actually secured an intellectual property license, rather than requiring a preference for proposals that are attempting to secure a license.
- Eliminate the requirement that the MDA, in cooperation with the Department of Treasury and Michigan financial institutions, establish a low-interest agricultural loan program (with a maximum allowable interest rate of 50 percent of the prime rate plus

one percent) or a loan guarantee program, and all provisions relating to these programs.

- Eliminate the current requirement that at least 90 percent of the money appropriated to the Agricultural Development Fund from the 21st Century Jobs Trust Fund under Public Act 153 of 2006 be used for loans and loan guarantees, and that not more than 10 percent be used for grants. The maximum grant available would remain at \$250,000.
- Eliminate the current requirement that money representing loan repayments or interest on loans be credited to the fund.

Michigan Clean Air Fund.

The Julian-Stille Value-Added Act also created a Michigan Clean Air Fund to be administered by the DEQ. The stated purpose of the Clean Air Fund is to make grants and loans for programs and projects that reduce air pollution, specifically, nitrogen oxides and volatile organic compounds. It appears that this fund has never been funded by utility company payments as contemplated by the act. The bill would eliminate the DEQ's authority to make loans from the Clean Air Fund, allowing it only to award only grants, and would name the DEQ as the administrator of the fund for audit purposes.

MCL 285.302, 285.302a, 285.303

BACKGROUND INFORMATION:

For more information, see the House Fiscal Agency's Memorandum dated 3-4-09 at: <http://www.house.mi.gov/hfa/PDFs/agricultural%20development%20fund.pdf>

FISCAL IMPACT:

Senate Bill 134 and House Bill 4116 would both eliminate the references to an agricultural loan program and would effectively reauthorize the program as a grant program. To the extent that the funds for the program have already been appropriated and have been carried forward as a work project, the bill would have no direct fiscal impact. However, under a revolving loan program, as established in the 2006 PA 424, loans would be repaid to the state; grants would not.

The DEQ-administered Clean Air Fund has no money for loans or grants. However, under the bill, any future funds would have to be distributed as grants, not loans.

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