

SENATE SUBSTITUTE FOR
HOUSE BILL NO. 4562

A bill to establish an agricultural loan origination program; to authorize certain loan guarantees; to prescribe the powers and duties of certain state agencies and officials; and to provide for an appropriation.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 1. This act shall be known and may be cited as the
2 "agricultural disaster loan origination program act".

3 Sec. 2. As used in this act:

4 (a) "Agricultural processing" means the enhancement or
5 improvement of the overall value of an agricultural commodity or of
6 an animal or plant product into a product of higher value,
7 including, but not limited to, marketing, agricultural processing,
8 transforming, or packaging.

1 (b) "Facility" means a plant designed for receiving or storing
2 farm produce, a plant designed for value-added agricultural
3 processing, or a retail sales establishment of a business engaged
4 in making retail sales directly to farmers with 75% or more of its
5 gross retail sales volume exempted from sales tax under section
6 4a(1)(e), (f), (g), and (h) of the general sales tax act, 1933 PA
7 167, MCL 205.54a.

8 (c) "Farm" means that term as it is defined in section 2 of
9 the Michigan right to farm act, 1981 PA 93, MCL 286.472.

10 (d) "Financial institution" means a state or national bank, a
11 state or federally chartered savings and loan association, a state
12 or federally chartered savings bank, a state or federally chartered
13 credit union, or other regulated lending institution that maintains
14 a principal office or branch office in this state under the laws of
15 this state or the United States, including, but not limited to, an
16 entity of the federally chartered farm credit system.

17 (e) "Person" means an individual, partnership, corporation,
18 association, governmental entity, or other legal entity.

19 (f) "Production of agricultural goods" means commercial
20 farming, including, but not limited to, cultivation of the soil;
21 growing and harvesting of an agricultural, horticultural, or
22 floricultural commodity; dairying; raising of livestock, bees,
23 fish, fur-bearing animals, or poultry; or turf or tree farming.

24 (g) "Program" means the qualified agricultural loan
25 origination program established under this act.

26 (h) "Qualified agricultural loan" means a loan that is issued
27 under the program and that meets all of the following conditions:

1 (i) The loan is made to 1 of the following:

2 (A) A person that is engaged in and intending to remain
3 engaged in this state as an owner or operator of a farm in the
4 production of agricultural goods that suffered a loss of 25% or
5 more in major enterprises or production loss of 50% or more in any
6 1 crop on a farm located within this state.

7 (B) A person that is engaged and intending to remain engaged
8 in this state in an agricultural business of buying, exchanging,
9 processing, storing, or selling farm produce that suffered a 50% or
10 greater loss in volume of 1 commodity when compared with the
11 average volume of that commodity that the business handled in the
12 prior 3 years.

13 (C) The person is engaged in and intending to remain engaged
14 in this state in the business of making retail sales directly to
15 farmers with 75% or more of the person's gross retail sales volume
16 exempted from sales tax under section 4a(1)(e), (f), (g), and (h)
17 of the general sales tax act, 1933 PA 167, MCL 205.54a, that
18 suffered a 50% or greater reduction in gross retail sales volume
19 subject to the exemption under section 4a(1)(e), (f), (g), and (h)
20 of the general sales tax act, 1933 PA 167, MCL 205.54a, when
21 compared with the person's average retail sales volume subject to
22 that exemption in the prior 3 years.

23 (ii) The loss described in subparagraph (i) is due to an
24 agricultural disaster recognized by the governor, occurring after
25 January 1, 2012.

26 (iii) The person receiving the loan under subparagraph (i)
27 certifies in an affidavit that that person's loss satisfies the

1 relevant requirements of subparagraph (i).

2 (i) "Qualified financial institution" means a financial
3 institution that has a physical location in this state or whose
4 principal office is located in this state, or both.

5 Sec. 3. (1) The state treasurer may establish a qualified
6 agricultural loan origination program as provided in this act.

7 (2) The program shall meet all of the following:

8 (a) A person receiving a qualified agricultural loan shall pay
9 an interest rate authorized under this act and established by the
10 qualified financial institution.

11 (b) This state shall pay loan origination fees for
12 administrative costs incurred by the qualified financial
13 institution equal to 5% of the original principal amount of the
14 loan. Loan origination fees shall be paid by this state in 5 equal
15 installments.

16 (3) A qualified agricultural loan shall comply with all of the
17 following:

18 (a) Interest shall be set by the qualified financial
19 institution at a rate of 1% or at the rate of the 5-year United
20 States treasury note plus 1/4%.

21 (b) The term of the loan shall not be more than 5 years.

22 (c) The first principal payment required under the loan shall
23 not occur before 24 months after the issuance of the loan.

24 (4) A qualified agricultural loan described in section
25 2(h)(i)(A) shall be equal to not more than the value of the crop
26 loss as certified by the producer in an affidavit demonstrating an
27 accurate and valid production loss. The qualified agricultural loan

1 shall not exceed the lesser of \$400,000.00 or the value of the crop
2 loss minus insurance proceeds received by the owner or operator as
3 a result of the same crop loss. If crop insurance was available for
4 a particular crop and the producer did not purchase the crop
5 insurance for that crop, the amount of the loan shall be reduced by
6 30% or \$100,000.00, whichever is less.

7 (5) A qualified agricultural loan described in section
8 2(h)(i)(B) or (C) shall not exceed the lesser of the following:

9 (a) Eight hundred thousand dollars per facility.

10 (b) One million dollars per person applying for the loan.

11 Sec. 4. (1) The state treasurer may take any necessary action
12 to ensure the successful operation of the program, including, but
13 not limited to, entering into agreements with qualified financial
14 institutions related to the operation of the program and the
15 issuance of qualified agricultural loans.

16 (2) The attorney general shall approve as to legal form all
17 documents relating to the payment of a loan origination fee by this
18 state.

19 (3) Each qualified financial institution participating in the
20 program shall do both of the following:

21 (a) Report to the state treasurer the principal amount of
22 loans made under the program by March 31 each year.

23 (b) File an affidavit with the state treasurer signed by a
24 senior executive officer of the qualified financial institution
25 stating that the qualified financial institution is in compliance
26 with the program and this act.

27 (4) Upon request by the state treasurer, a qualified financial

1 institution shall forward a copy of any affidavits executed by a
2 person receiving a loan under this act to the state treasurer. The
3 qualified financial institution and the state treasurer shall
4 destroy the affidavit or its copy after the qualified agricultural
5 loan is repaid.

6 (5) The program is found and declared to be for a valid public
7 purpose.

8 Sec. 5. An amount sufficient to pay loan origination fees
9 under section 3, not to exceed \$15,000,000.00, shall be expended if
10 it is appropriated to the department of treasury. Not more than
11 \$3,000,000.00 of this amount shall be used for loans offered under
12 section 2(h) (i) (B) or (C). The appropriation authorized in this
13 subsection is a work project appropriation, and any unencumbered or
14 unallotted funds are carried forward into the following fiscal
15 year. The following is in compliance with section 451a(1) of the
16 management and budget act, 1984 PA 431, MCL 18.1451a:

17 (a) The purpose of the project is to provide financial
18 assistance to the agricultural sector of this state's economy and
19 to alleviate financial distress caused by crop damage and related
20 economic impacts through the program.

21 (b) The work project will be accomplished through the use of
22 payments to qualified financial institutions for qualified
23 agricultural loan origination fees for administrative costs
24 incurred by qualified financial institutions.

25 (c) The total estimated completion cost of the work project is
26 \$15,000,000.00.

27 Enacting section 1. This act does not take effect unless House

1 Bill No. 4561 of the 99th Legislature is enacted into law.