

MAINE STATE LEGISLATURE

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No. 2245

H.P. 1606

House of Representatives, March 4, 2008

An Act To Promote the Agricultural Economy

(EMERGENCY)

Reported by Representative PIEH of Bremen for the Joint Standing Committee on Agriculture, Conservation and Forestry pursuant to Joint Order, H.P. 1555.

Reference to the Committee on Agriculture, Conservation and Forestry suggested and ordered printed under Joint Rule 218.

Millicent M. MacFarland
MILLICENT M. MacFARLAND
Clerk

1 **Emergency preamble. Whereas,** acts and resolves of the Legislature do not
2 become effective until 90 days after adjournment unless enacted as emergencies; and

3 **Whereas,** statutory changes are needed to maximize the use of programs to assist
4 Maine farmers with business planning and financing implementation of business plans;
5 and

6 **Whereas,** increased profitability of farms and reduced administrative burdens on
7 state agencies are in the best interest of the State; and

8 **Whereas,** in the judgment of the Legislature, these facts create an emergency within
9 the meaning of the Constitution of Maine and require the following legislation as
10 immediately necessary for the preservation of the public peace, health and safety; now,
11 therefore,

12 **Be it enacted by the People of the State of Maine as follows:**

13 **Sec. 1. 7 MRSA §317,** as enacted by PL 1999, c. 763, §1, is amended to read:

14 **§317. Maine Farms for the Future Program**

15 The Maine Farms for the Future Program, referred to in this chapter as the "program,"
16 is created. The program is administered by the department, either directly or by contract
17 with a suitable organization. The program provides a selected farm with assistance in
18 developing a detailed business plan that involves changes in the farm's operation to
19 increase the vitality of the farm and investment money to help implement the plan.
20 Participants in the program are eligible to apply for reduced-interest loans from the
21 Agricultural Marketing Loan Fund established under Title 10, section 1023-J and
22 administered under section 435. The department shall organize a review panel, referred
23 to in this chapter as the "panel," to evaluate and approve applications for participation in
24 the program and for investment support.

25 **Sec. 2. 7 MRSA §318, sub-§1,** as enacted by PL 1999, c. 763, §1, is amended to
26 read:

27 **1. Eligibility.** An applicant must own ~~at least 5 acres of land in an~~ agricultural use
28 ~~and~~ enterprise as defined in section 434, subsection 1 that has been operating in the State
29 for at least 2 years at the time of application. The applicant must submit an application to
30 the department to be eligible for participation in the program pursuant to procedures
31 developed by the department.

32 **Sec. 3. 7 MRSA §318, sub-§3,** as enacted by PL 1999, c. 763, §1, is amended to
33 read:

34 **3. Services package; reimbursement.** Once an applicant is selected to participate
35 in the program, the department shall assist the selected farm in assembling a services
36 package to develop the business plan within ~~one year~~ 18 months of the selection. These
37 services ~~may~~ must include:

1 A. Outside ~~financial~~ experts to provide services such as analyzing production
2 practices and markets or developing financial data; and

3 B. Instruction or classroom training in economics and business planning for the
4 owner or operator of the farm. Classroom training for food processing and farm
5 businesses must be approved by the department.

6 A services package must be approved by the department before it is implemented. The
7 department shall pay for outside services contracted as part of an approved services
8 package. The department may not pay more than \$10,000 for outside services contracted
9 as part of the services package to a selected farm. ~~Payment of more than \$5,000 requires~~
10 ~~the approval of the commissioner.~~ The department shall keep an accounting of the
11 services provided to a selected farm as part of the services package.

12 **Sec. 4. 7 MRSA §319**, as amended by PL 2003, c. 167, §§3 and 4, is further
13 amended to read:

14 **§319. Investment support**

15 **1. Eligibility.** A selected farm that has completed a business plan pursuant to section
16 318 is eligible to apply for funding to implement the plan. The applicant may apply for a
17 reduced-interest loan from the Agricultural Marketing Loan Fund under chapter 101,
18 subchapter 1-D or for a grant in exchange for a farmland protection agreement under
19 subsection 4. A farmer requesting a grant in exchange for a farmland protection
20 agreement must own at least 5 acres of land in agricultural use at the time of application.

21 **2. Award of grants.** The panel shall develop a competitive process to determine the
22 farms that receive ~~funds~~ grants to implement a business plan in exchange for a farmland
23 protection agreement under subsection 4. This determination must be based upon
24 selection criteria developed by the department including:

25 A. The viability of the business plan;

26 B. The degree of threat to the continuation of agricultural use of the land due to
27 factors such as the financial capacity and current farm management practices of the
28 applicant; and

29 C. The degree to which the business plan would accomplish broader objectives
30 such as the protection of water resources, wildlife habitat, open space and scenic and
31 cultural amenities.

32 When possible, the panel shall award grants to applicants representing diverse
33 agricultural enterprises and geographic areas of the State.

34 **3. Uses and limitations of funding.** Any funds provided by the department
35 pursuant to this section must be used to implement the business plan either in the plan's
36 original form or in a subsequent amended version that has been approved by the
37 department. ~~The~~ For a farm applying for and receiving a loan from the Agricultural
38 Marketing Loan Fund, the loan requirements and limitations under chapter 101,
39 subchapter 1-D and Title 10, section 1023-J apply. For a farm receiving a grant, the
40 department may provide a selected farm with funds to implement the business plan in an

1 amount not to exceed ~~the lesser of~~ \$25,000 or 25% of the total investments identified by
2 the business plan, whichever is less.

3 **4. Farmland protection agreement.** A ~~selected farm~~ selected to receive a grant
4 under subsection 2 must enter into a ~~5-year~~ 7-year farmland protection agreement with
5 the department before the department provides investment support pursuant to this
6 section. The agreement must provide that the farm will protect the land in agricultural
7 use from nonagricultural development for the period of the agreement. A selected farm
8 may terminate the farmland protection agreement at any time if the farm repays the
9 department for any funds provided to the farm by the department pursuant to this section.

10 **Sec. 5. 7 MRSA §320, sub-§1**, as enacted by PL 1999, c. 763, §1, is amended to
11 read:

12 **1. Duties.** The department shall ensure that the following duties are performed:

- 13 A. Promoting the program to farms in the State;
- 14 B. Organizing and overseeing the panel;
- 15 C. Developing criteria to select participants for the program and recipients of
16 investment support;
- 17 D. Compiling a list of outside service providers;
- 18 E. Administering the disbursement of investment support; and
- 19 F. Executing and enforcing ~~first and 2nd~~ farmland protection agreements; ~~and,~~
- 20 ~~G. — Evaluating and reporting annually by March 15th to the joint standing~~
21 ~~committee of the Legislature having jurisdiction over agricultural matters on the~~
22 ~~impact and effectiveness of the program.~~

23 **Sec. 6. 7 MRSA §320, sub-§3**, as enacted by PL 1999, c. 763, §1, is amended to
24 read:

25 **3. Administration by other than department.** The department ~~shall~~ may contract
26 the administration of this program to a suitable organization selected through a
27 competitive process developed by the department. ~~The organization selected must~~
28 ~~provide a match of a minimum of \$200,000 nonstate funds.~~ The contracting organization
29 is responsible for performing all duties set forth in subsection 1, except that it is solely the
30 department's responsibility to perform the duty set forth in subsection 1, paragraph F.
31 Whether the program is administered by the department or an organization under contract
32 with the department, a minimum of 40% of the total annual state funding for the program
33 must be reserved for grants awarded under section 319. Funds appropriated to the
34 program may not lapse but must be carried forward.

35 **Sec. 7. 7 MRSA §320, sub-§4**, as enacted by PL 1999, c. 763, §1, is repealed.

36 **Sec. 8. 7 MRSA §320, sub-§6** is enacted to read:

37 **6. Reporting.** The commissioner shall submit an annual report on or before March
38 1st of each year to the joint standing committee of the Legislature having jurisdiction

1 over agricultural matters. The report must include a summary of grants made under
2 section 319 during the previous calendar year. The report must address the effectiveness
3 of the program. Effectiveness measures may include, but are not limited to, evaluation of
4 the number of companies retained, expanded or created; the increase in the number of
5 jobs created or retained; any increased business revenues and new capital raised;
6 improved wages paid to employees; and any new capital investment and increase in
7 profitability.

8 **Sec. 9. 7 MRSA §434, sub-§2**, as enacted by PL 1999, c. 769, §4, is repealed.

9 **Sec. 10. 7 MRSA §435, sub-§2, ¶C**, as enacted by PL 1995, c. 658, §1, is
10 amended to read:

11 C. An agricultural marketing loan must be at the interest rate established pursuant
12 to subsection 3 or 3-A.

13 **Sec. 11. 7 MRSA §435, sub-§2, ¶G**, as enacted by PL 1999, c. 593, §1, is
14 repealed.

15 **Sec. 12. 7 MRSA §435, sub-§3**, as amended by PL 2001, c. 152, §2, is further
16 amended to read:

17 **3. Interest rate.** The Except as provided in subsection 3-A, the interest rate for
18 loans is 5% per year.

19 **Sec. 13. 7 MRSA §435, sub-§3-A** is enacted to read:

20 **3-A. Loans for participants in the Maine Farms for the Future Program.** The
21 interest rate for loans for capital improvements identified in a business plan developed
22 under section 318 is 2% per year.

23 **Sec. 14. 7 MRSA §435, sub-§5**, as enacted by PL 2001, c. 152, §3, is amended to
24 read:

25 **5. Report.** The commissioner shall submit an annual report on or before March 1st
26 of each year to the joint standing committee of the Legislature having jurisdiction over
27 agricultural matters. The report must include a summary of loans made under this section
28 during the previous calendar year and loans outstanding categorized by the types of
29 agricultural enterprises receiving the loans. The report must address the effectiveness of
30 the program. Effectiveness measures may include, but are not limited to, evaluation of
31 the number of companies retained, expanded or created; the increase in the number of
32 jobs created or retained; any increased business revenues and new capital raised;
33 improved wages paid to employees; and any new capital investment and increase in
34 profitability.

35 **Sec. 15. 7 MRSA §436**, as amended by PL 2003, c. 120, §1, is further amended to
36 read:

1 3. It extends the time period for assembling a services package for participants in the
2 Maine Farms for the Future Program business planning program from 12 to 18 months
3 and requires instruction or classroom training in economics and business planning. It
4 removes the requirement that the Commissioner of Agriculture, Food and Rural
5 Resources approve payments of more than \$5,000 for business planning services.

6 4. It extends the duration of a farmland protection agreement from 5 years to 7 years.

7 5. It replaces the mandate that the Department of Agriculture, Food and Rural
8 Resources contract out the administration of the Maine Farms for the Future program
9 with permissive language and removes the requirement that a contracting organization
10 provide a \$200,000 match. It also removes the cap on expenditures for administrative
11 costs for a contracting organization. It requires that a minimum of 40% of annual state
12 funding for the Maine Farms for the Future Program be reserved for grants to implement
13 a business plan.

14 6. It expands on the information to be included in the annual reports for the Maine
15 Farms for the Future Program and the Agricultural Marketing Loan Fund.

16 7. It removes the definition of "direct marketing" in the provisions for the
17 Agricultural Marketing Loan Fund. This term is no longer used in the subchapter in
18 which the definition appears.

19 8. It removes the cap of \$100,000 on Agricultural Marketing Loan Fund loans for
20 land for the start-up of a new agricultural business.

21 9. It extends the time period during which grants for technical assistance and
22 research must be expended to the 3 fiscal years following designation.

23 10. It removes provisions for business planning under the Agricultural Marketing
24 Loan Fund, eliminating the provisions of similar services under both the Maine Farms for
25 the Future Program and the Agricultural Marketing Loan Fund.

26 11. It directs the Joint Standing Committee on Agriculture, Conservation and
27 Forestry to review recommendations presented in the January 2008 report on the
28 agricultural creative economy during regularly authorized meetings and to develop
29 legislation to implement the report's recommendations relating to assistance, development
30 and promotion for agricultural businesses.

31 12. It authorizes the joint standing committee of the Legislature having jurisdiction
32 over agricultural matters to submit legislation during the First Regular Session of the
33 124th Legislature.