

# MAINE STATE LEGISLATURE

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L.D. 219

Date: 3/30/22

(Filing No. H-890)

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**AGRICULTURE, CONSERVATION AND FORESTRY**

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**STATE OF MAINE**

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**HOUSE OF REPRESENTATIVES**

7

**130TH LEGISLATURE**

8

**SECOND REGULAR SESSION**

9

COMMITTEE AMENDMENT "A" to H.P. 154, L.D. 219, "An Act To Enhance the Agricultural Marketing Loan Fund by Establishing a Variable Interest Rate for Loans and To Allow Participants in the Maine Farms for the Future Program To Borrow at That Rate"

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Amend the bill by striking out the title and substituting the following:

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**'An Act To Improve the Agricultural Marketing Loan Fund and Agricultural Development Grant'**

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Amend the bill by striking out everything after the enacting clause and inserting the following:

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'Sec. 1. 7 MRSA §306-A, as amended by PL 2013, c. 64, §§1 and 2, is further amended to read:

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**§306-A. Agricultural Development Fund**

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**1. Agricultural Development Fund.** The commissioner shall establish ~~an agricultural development fund~~ the Agricultural Development Fund, referred to in this section as "the fund," to accelerate ~~new~~ market development, adoption of ~~advantageous technologies~~ technology and promotion of state agricultural products by state producers. No later than July 31st each fiscal year, the State Controller shall transfer \$550,000 from General Fund undedicated revenue to the fund.

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**2. Fund operation.** The commissioner shall utilize the ~~agricultural development fund~~ to:

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A. Provide grants to ~~individuals, firms or organizations~~ public agencies and private for-profit entities and nonprofit entities based in the State to conduct market research or to undertake market promotion activities for the purpose of expanding existing markets and developing new markets for state agricultural products; ~~and~~

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B. Test and demonstrate new technologies related to the production, storage and processing of state agricultural ~~commodities,~~ products; and

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**COMMITTEE AMENDMENT**

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C. Provide technical assistance grants for conducting market research, feasibility studies, engineering studies, construction planning, land use planning, facility design and configuration planning and for funding the purchase of on-farm equipment and other technology purchases that directly support the growth of agricultural enterprises as defined in section 434.

The commissioner may disburse grant money awarded to an applicant during any of the 3 fiscal years following award of the grant to an applicant.

**3. Rulemaking.** The commissioner shall establish, by rule, in a manner consistent with Title 5, chapter 375, subchapter 2-A criteria for the allocation of grant money, application requirements consistent with the provisions of this section, a schedule for accepting and reviewing applications, reporting requirements on grant expenditures and project results and any other administrative requirements necessary for the efficient implementation of this program. Rules adopted pursuant to this subsection are ~~major substantive~~ routine technical rules as defined in Title 5, chapter 375, subchapter 2-A. The commissioner is guided by the following criteria:

A. Applications may be submitted by ~~individuals, firms or organizations public agencies and private for-profit entities and nonprofit entities based in the State~~ in response to a request for proposals for competitive grants. The commissioner may also contract directly with ~~individuals, firms or organizations public agencies and private for-profit entities and nonprofit entities~~ for a special project under section 307;

B. A percentage of the total cost of any project must be funded by the applicant or applicants and a percentage of the total cost must be funded from nonpublic sources. These percentages must be established by rule. A single grant may not exceed 50% of the total funds available to be granted in a given year;

C. Information relative to market research or development activities provided to the commissioner prior to formal application, included in grant applications or provided to the commissioner to fulfill reporting requirements is confidential information and may not be publicly disclosed by the commissioner as long as:

(1) The person to whom the information belongs or pertains has requested that certain information be designated as confidential; and

(2) The commissioner has determined that the information gives the person making the request opportunity to obtain business or competitive advantage over another person who does not have access to the information or will result in loss of business or other significant detriment to the person making the request if access is provided to others; and

D. When possible, the commissioner shall award grants to applicants representing diverse agricultural enterprises and geographic areas of the State.

**4. Advisory committee.** The commissioner shall establish the Agricultural Development Committee to evaluate ~~market and production development competitive~~ grant applications and review project results.

**Sec. 2. 7 MRSA §307,** as amended by PL 2013, c. 64, §3, is further amended to read:

**§307. Special projects**

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1 The commissioner may contract directly with the University of Maine System or  
2 qualified ~~individuals, firms or organizations~~ public agencies and private for-profit entities  
3 and nonprofit entities based in the State for market research, for testing new technologies  
4 and for research on technical problems related to the production, marketing, storage and  
5 processing of agricultural ~~commodities~~ products.

6 **Sec. 3. 7 MRSA §308**, as amended by PL 1999, c. 72, §6, is repealed.

7 **Sec. 4. 7 MRSA §434, sub-§1**, as amended by PL 2001, c. 152, §1, is further  
8 amended to read:

9 **1. Agricultural enterprise.** "Agricultural enterprise" means a person or business  
10 located in this State and engaged or beginning to engage in the commercial growing or  
11 harvesting of plants; raising of animals; growing or obtaining plant or animal by-products;  
12 aquaculture, as defined in Title 12, section 6001, subsection 1; or further processing,  
13 storing, packaging or marketing a raw product derived from plants, animals, plant or animal  
14 by-products or aquaculture, as defined in Title 12, section 6001, subsection 1, with the  
15 intent that the product be sold or otherwise disposed of to generate income. "Agricultural  
16 enterprise" includes a business or activity that attracts visitors to a farm for the purpose of  
17 supplementing income from the primary crop or livestock operation. "Agricultural  
18 enterprise" does not include a business engaged primarily in the growing, harvesting or  
19 further processing of forest species of trees for the purpose of producing pulp or other  
20 materials used in the paper manufacturing or wood manufacturing process.

21 **Sec. 5. 7 MRSA §435, sub-§2, ¶A**, as amended by PL 2003, c. 168, §1, is further  
22 amended to read:

23 A. An agricultural marketing loan for any project under this subchapter, the total cost  
24 of which exceeds ~~\$100,000~~ \$200,000, may not exceed ~~75%~~ 90% of the project cost. A  
25 loan from the fund may not be provided for such a project unless the applicant  
26 demonstrates a commitment of private funds of at least 5% of the total cost of the  
27 project; except that, in order to encourage the undertaking of cooperative projects by 2  
28 or more agricultural enterprises, an agricultural marketing loan may not be provided  
29 unless the cooperating agricultural enterprises as a group demonstrate a commitment  
30 of private funds of at least 5% of the total cost of the project.

31 **Sec. 6. 7 MRSA §435, sub-§2, ¶B**, as amended by PL 2003, c. 168, §1, is further  
32 amended to read:

33 B. An agricultural marketing loan for any project under this subchapter, the total cost  
34 of which is ~~\$100,000~~ \$200,000 or less, may not exceed 90% of the total cost of the  
35 project.

36 **Sec. 7. 7 MRSA §435, sub-§3**, as amended by PL 2007, c. 660, §12, is repealed.

37 **Sec. 8. 7 MRSA §435, sub-§3-A**, as enacted by PL 2007, c. 660, §13, is amended  
38 to read:

39 **3-A. Loans for participants in the Maine Farms for the Future Program.** The  
40 interest rate for loans for capital improvements identified in a business plan developed  
41 under section 318 for a farm determined eligible under section 319 is the federal prime rate  
42 on the date of loan commitment but may not be greater than 2% per year.

43 **Sec. 9. 7 MRSA §435, sub-§3-B** is enacted to read:

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1 3-B. Interest rate. Except as provided in subsection 3-A, the interest rate for loans  
2 under this section is the federal prime rate on the date of loan commitment but may not be  
3 greater than 5%. Loans current on the effective date of this subsection may be refinanced  
4 at the borrower's request to an interest rate of the federal prime rate but not greater than  
5 5%.

6 **Sec. 10. 7 MRSA §436**, as amended by PL 2007, c. 660, §15, is further amended to  
7 read:

8 **§436. Grants for technical assistance and research**

9 The commissioner may use all or a portion of the accrued interest in the cash balance  
10 of the Agricultural Marketing Loan Fund ~~and all or a portion of loan repayments for grants~~  
11 ~~for technical assistance and for grants from the agricultural development grant program~~  
12 Agricultural Development Fund in chapter 10. ~~The commissioner may expend grant~~  
13 ~~dollars designated to an applicant in one fiscal year during any of the 3 fiscal years~~  
14 ~~following designation.~~

15 **Sec. 11. 10 MRSA §1023-J, first ¶**, as amended by PL 2017, c. 475, Pt. A, §12, is  
16 further amended to read:

17 The Agricultural Marketing Loan Fund, referred to in this section as "the "fund," is  
18 created. The fund must be deposited with and maintained by the Finance Authority of  
19 Maine. The fund must be administered by the Commissioner of Agriculture, Conservation  
20 and Forestry in accordance with Title 7, chapter 101, subchapter 1-D. All money received  
21 by the Finance Authority of Maine from any source for the development and  
22 implementation of an improved agricultural marketing loan program must be credited to  
23 the fund. Any money credited to the fund from the issuance of bonds on behalf of the State  
24 for financing loans for agricultural enterprises may be used only for the following purposes:  
25 to provide assistance to agricultural enterprises in this State for the design, purchase,  
26 construction, renovation or improvement of commodity and storage buildings and packing  
27 and marketing facilities equipment essential to the agricultural enterprise; for the purchase,  
28 construction or renovation of buildings, equipment, docks, wharves, piers or vessels used  
29 in connection with a commercial agricultural enterprise; for the purchase of land in  
30 connection with development of new cranberry acreage; for the purchase of land for  
31 irrigation reservoirs or to provide direct access to water for irrigation or to fund the  
32 development of new or existing sustainable water sources; for the purchase of land  
33 necessary for the start-up of a new agricultural enterprise; for the purchase of land  
34 necessary for the expansion of an existing agricultural enterprise when the land acquisition  
35 is necessary to comply with land use regulations; for the development of a business plan  
36 for improvements to pastureland, including seeding and actions to promote rotational  
37 grazing; for the design or implementation of improvements to infrastructure, equipment  
38 and natural resources to enhance a commercial agricultural enterprise's climate adaptation  
39 or mitigation capacity; for refinancing existing loans used to finance eligible uses as  
40 defined in this section; or, if the commissioner so approves at the time of loan insurance  
41 commitment, to pledge money in the fund as security for, and to apply money in the fund  
42 to, payment of principal, interest and other amounts due on any term loans insured by the  
43 Finance Authority of Maine to an eligible dairy farmer. Repayment of these loans and  
44 interest on these loans must be credited to the fund ~~and may be used for the purposes stated~~  
45 ~~in this section or Title 7, section 436.~~ Interest earned on money in the fund and interest

# COMMITTEE AMENDMENT

1 earned on loans made from the fund may be used to pay the administrative costs of  
2 processing loan applications and servicing and administering the fund and loans and grants  
3 made from the fund since the inception of the agricultural marketing loan program, to the  
4 extent that these costs exceed the fee for administrative costs established by Title 7, section  
5 435, subsection 4.

6 **Sec. 12. Transfer balance of interest in the Agricultural Marketing Loan**  
7 **Fund.** Notwithstanding any provision of law to the contrary, no later than September 1,  
8 2022 the Finance Authority of Maine shall transfer the balance of realized interest in the  
9 Agricultural Marketing Loan Fund, as established under the Maine Revised Statutes, Title  
10 10, section 1023-J, and any previously awarded agricultural development grant funds that  
11 have not been paid to grantees to the Agricultural Development Fund, as established under  
12 Title 7, section 306-A, through a transfer to the Agricultural Development Fund, Other  
13 Special Revenue Funds account.

14 **Sec. 13. Appropriations and allocations.** The following appropriations and  
15 allocations are made.

16 **AGRICULTURE, CONSERVATION AND FORESTRY, DEPARTMENT OF**  
17 **Bureau of Agriculture 0393**

18 Initiative: Provides allocations for grants to public agencies, private for-profit entities and  
19 nonprofit entities based in the State to conduct market research or to undertake market  
20 promotion activities for the purpose of expanding existing markets and developing new  
21 markets for state agricultural products; to test and demonstrate new technologies related to  
22 the production, storage and processing of state agricultural products; and to provide  
23 technical assistance grants for conducting market research, feasibility studies, engineering  
24 studies, construction planning, land use planning, facility design and configuration  
25 planning and funding the purchase of on-farm equipment and other technology purchases  
26 that directly support the growth of agricultural enterprises.

27	<b>OTHER SPECIAL REVENUE FUNDS</b>	<b>2021-22</b>	<b>2022-23</b>
28	All Other	\$0	\$700,000
29			
30	<b>OTHER SPECIAL REVENUE FUNDS TOTAL</b>	<b>\$0</b>	<b>\$700,000</b>

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32 Amend the bill by relettering or renumbering any nonconsecutive Part letter or section  
33 number to read consecutively.

34 **SUMMARY**

35 This amendment, which replaces the bill, separates the Agricultural Development Fund  
36 from the Agricultural Marketing Loan Fund. The amendment requires the State Controller  
37 to transfer \$550,000 from the General Fund undedicated revenue to the Agricultural  
38 Development Fund annually. The amendment also requires the Finance Authority of  
39 Maine to transfer the balance of the realized interest in the Agricultural Marketing Loan  
40 Fund and any previously awarded agricultural development grant funds that have not been  
41 paid to grantees to the Agricultural Development Fund. The amendment requires the  
42 Commissioner of Agriculture, Conservation and Forestry to use the Agricultural  
43 Development Fund to provide technical assistance grants for conducting market research,

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feasibility studies, engineering studies, construction planning, land use planning, facility design and configuration planning and for funding the purchase of on-farm equipment and other technology purchases that directly support the growth of agricultural enterprises.

Under current law, an agricultural marketing loan for a project the total cost of which exceeds \$100,000 may not exceed 75% of the project cost. The amendment provides that an agricultural marketing loan for a project the total cost of which exceeds \$200,000 may not exceed 90% of the project cost. The amendment changes the interest rate for agricultural marketing loans from 5% per year to the federal prime rate on the date of loan commitment but not greater than 5%. The amendment provides that the agricultural marketing loan funds may be used to fund the development of new or existing sustainable water resources; for the design and implementation of improvements to infrastructure, equipment and natural resources to enhance a commercial agricultural enterprise's climate adaptation or mitigation capacity; and for refinancing existing loans used to finance eligible uses.

The amendment also adds an appropriations and allocations section.

**FISCAL NOTE REQUIRED**

**(See attached)**



# 130th MAINE LEGISLATURE

LD 219

LR 75(02)

**An Act To Enhance the Agricultural Marketing Loan Fund by Establishing a Variable Interest Rate for Loans and To Allow Participants in the Maine Farms for the Future Program To Borrow at That Rate**

Fiscal Note for Bill as Amended by Committee Amendment "A" (H-890)  
 Committee: Agriculture, Conservation and Forestry

Fiscal Note Required: Yes

## Fiscal Note

	FY 2021-22	FY 2022-23	Projections FY 2023-24	Projections FY 2024-25
<b>Net Cost (Savings)</b>				
General Fund	\$0	\$550,000	\$550,000	\$550,000
<b>Appropriations/Allocations</b>				
Other Special Revenue Funds	\$0	\$700,000	\$550,000	\$550,000
<b>Transfers</b>				
General Fund	\$0	(\$550,000)	(\$550,000)	(\$550,000)
Other Special Revenue Funds	\$0	\$550,000	\$550,000	\$550,000

### Fiscal Detail and Notes

This bill changes the funding structure and eligibility criteria for grants made through the Agricultural Development Fund administered by the Department of Agriculture, Conservation and Forestry (ACF). It also changes the eligibility criteria, loan limits, and interest rates on loans made from the Agricultural Marketing Loan Fund within the Finance Authority of Maine (FAME) but administered by ACF.

This bill requires the State Controller to make annual transfers of \$550,000 from General Fund undedicated revenue to the Agricultural Development Fund within ACF and includes ongoing allocations to ACF of that amount beginning in fiscal year 2022-23 to allow expenditure of the funds. The bill also directs FAME to transfer the balance of interest in the Agricultural Marketing Loan Fund and any previously awarded agricultural development grant funds that have not been paid to grantees to the Agricultural Development Fund. The amount of these transfers will not be known until the transfer is made, but the bill includes a one-time allocation of \$150,000 in fiscal year 2022-23 to allow expenditure of that amount.

Under current law, an agricultural marketing loan that exceeds \$100,000 may not exceed 75% of the total project cost and a loan of \$100,000 or less may not exceed 90% of the total project cost. Under this bill the 75% cap is removed and all loans are limited to 90% of the total project cost. The bill also changes the interest rate for agricultural marketing loans from 5% per year to the federal prime rate on the date of loan commitment up to a maximum of 5%. This change may reduce interest received on loans and credited to the fund for future use. The reduction in interest earnings will depend on the number of loans issued at an interest rate lower than the current 5% rate.