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An Act To Promote the Agricultural Economy

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

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

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

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

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

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

§ 317. Maine Farms for the Future Program

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

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

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

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

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

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

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

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

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

§ 319. Investment support

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

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

- A. The viability of the business plan;
- B. The degree of threat to the continuation of agricultural use of the land due to factors such as the financial capacity and current farm management practices of the applicant; and
- C. The degree to which the business plan would accomplish broader objectives such as the protection of water resources, wildlife habitat, open space and scenic and cultural amenities.

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

3. Uses and limitations of funding. Any funds provided by the department pursuant to this section must be used to implement the business plan either in the plan's original form or in a subsequent amended version that has been approved by the department. ~~The~~For a farm applying for and receiving a loan from the Agricultural Marketing Loan Fund, the loan requirements and limitations under chapter 101, subchapter 1-D and Title 10, section 1023-J apply. For a farm receiving a grant, the department may provide a selected farm with funds to implement the business plan in an amount not to exceed the lesser of \$25,000 or 25% of the total investments identified by the business plan, whichever is less.

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

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

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

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

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

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

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

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

6. Reporting. The commissioner shall submit an annual report on or before March 1st of each year to the joint standing committee of the Legislature having jurisdiction over agricultural matters. The report must include a summary of grants made under section 319 during the previous calendar year. The report must address the effectiveness of the program. Effectiveness measures may include, but are

not limited to, evaluation of the number of companies retained, expanded or created; the increase in the number of jobs created or retained; any increased business revenues and new capital raised; improved wages paid to employees; and any new capital investment and increase in profitability.

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

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

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

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

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

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

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

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

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

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

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

§ 436. Grants for technical assistance and research

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

Sec. 16. 7 MRSA §436-A, as enacted by PL 1999, c. 769, §6, is repealed.

Sec. 17. Joint Standing Committee on Agriculture, Conservation and Forestry to continue review of the recommendations of the agricultural creative economy study. The Joint Standing Committee on Agriculture, Conservation and Forestry shall use meetings authorized during the legislative interim preceding the convening of the 124th Legislature to discuss the recommendations included in the report of the Department of Agriculture, Food and Rural Resources entitled "The Agricultural Creative Economy: Needs, Opportunities, and Market Analysis" and not addressed in this Act. The report was presented to the committee in January 2008 in response to Resolve 2007, chapter 13.

The committee shall evaluate the merits of the recommendations and the resources needed for implementing each. The committee shall develop any legislation necessary to implement the report's recommendations relating to development, assistance and labor recruitment and training for agricultural businesses and the promotion and marketing of agricultural products.

Sec. 18. Legislation authorized. The joint standing committee of the Legislature having jurisdiction over agricultural matters may submit legislation to the First Regular Session of the 124th Legislature regarding agricultural business development and assistance, labor needs and the promotion of agricultural products.

Emergency clause. In view of the emergency cited in the preamble, this legislation takes effect when approved.

SUMMARY

This bill is the report of the Joint Standing Committee on Agriculture, Conservation and Forestry pursuant to Joint Order 2007, H.P. 1555.

1. It allows participants in the Maine Farms for the Future Program to receive loans from the Agricultural Marketing Loan Fund at a reduced interest rate of 2%.

2. It changes the eligibility criteria for applicants to the Maine Farms for the Future Program for business development planning. Under current law the applicant must own at least 5 acres of land in agricultural use. The bill instead requires that applicants must own an agricultural business that has operated in the State for a minimum of 2 years. As proposed, ownership of 5 acres is required only for those entering the implementation phase and applying for a grant in exchange for a farmland protection agreement.

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

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

5. It replaces the mandate that the Department of Agriculture, Food and Rural Resources contract out the administration of the Maine Farms for the Future program with permissive language and removes

the requirement that a contracting organization provide a \$200,000 match. It also removes the cap on expenditures for administrative costs for a contracting organization. It requires that a minimum of 40% of annual state funding for the Maine Farms for the Future Program be reserved for grants to implement a business plan.

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

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

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

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

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

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

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