

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. House Bill 1590

PRINTER NO. 2213

AMOUNT

No Fiscal Impact

FUND

Commonwealth Financing Authority

DATE INTRODUCED

June 7, 2019

PRIME SPONSOR

Representative Owlett

DESCRIPTION

House Bill 1590 adds a Section 1552.1 (Dairy Investment Program) to Title 64 (Public Authorities and Quasi-Public Corporations) to provide for the Dairy Investment Program to be administered by the Commonwealth Financing Authority (CFA). The program establishes four categories of eligible projects.

- Research and development projects, including those that involve identifying new food, beverage, pharmaceutical, or industrial products that use milk or milk components. Projects that also extend the shelf life of milk and dairy products or develop processing or production methods that reduce the risk of foodborne illnesses in Grade A or Grade B milk and dairy products are also eligible. Maximum grants for research and development projects are \$100,000.
- Transitioning to certified organic production, processing and distribution projects. Maximum grants are limited to \$50,000 for these projects.
- Value-added processing projects, including projects to construct a new value-added dairy facility or expand an existing value-added dairy facility. Value-added dairy processing projects are defined as projects which transform milk into a product of higher economic value in the marketplace for a food or nonfood use. Maximum grants for value-added processing projects are limited to \$50,000 for on-farm or single producer projects, and \$500,000 for cooperative processing plant or multi-producer projects.
- Marketing projects, including domestic or international market research and demonstration programs, regional or local branding efforts, on-farm tourism opportunities, distribution of specialized packaging for milk and dairy projects, and promotional campaigns including those that pair milk or dairy products with other Pennsylvania-produced foods and beverages. Maximum grants for marketing projects are \$100,000.

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The legislation specifies entities that are eligible to apply for Dairy Investment Program grants. Each application shall require a \$100 nonrefundable application fee. The CFA will review and evaluate applications, in consultation with the Department of Agriculture, based on the following criteria:

- Whether the project incorporates at least 75% Pennsylvania-sourced milk;
- The extent to which matching funds are used or leveraged (requires a minimum 15% cash match of the total project cost);
- Whether the project can be replicated for use across the Commonwealth;
- Whether the project includes a strategic plan for implementation;
- Inclusion of an itemized budget of all costs; and
- Any additional evaluation criteria for each type of eligible project the CFA deems necessary to administer the program.

The legislation provides that the CFA may consider additional types of projects for grants as well as other grant award amounts for projects, which the CFA in consultation with the department determines will effectuate the intent of the program.

The legislation provides that successful applicants must maintain records for the project, including verification of expenditures, final reports of the project and any other information requested by the CFA. Administration costs for a project shall not exceed 2% of a total grant award. Applicants may not commence work on a project before receiving CFA approval of the project grant. Grant awards cannot be used for paying fees for securing financing, paying interest on borrowed funds, refinancing existing debt, paying for lobbying services, paying fines, or application preparation fees.

The legislation provides for the CFA to establish the Dairy Investment Program Account and that any funds appropriated to the Dairy Investment Program are to be deposited in the Dairy Investment Program Account for awarding grants. It also provides that funds in the CFA First Industries Program Account may be transferred to the Dairy Investment Program Account as determined by the General Assembly.

FISCAL IMPACT:

House Bill 1590 will have no impact on Commonwealth funds. The bill provides for funds for the Dairy Investment Program to be transferred from the First Industries Program Account as determined by the General Assembly. Funds in the First Industries Program Account are loan repayments from First Industries Program agriculture and tourism loan recipients.

As a point of information, last year, Act 42 of 2018 required the CFA to develop the program guidelines for the Dairy Investment Program and provided for \$5,000,000 in funding. House Bill 1590 establishes the Dairy Investment Program guidelines in statute.