

## No. 1994-130

## AN ACT

## SB 728

Providing for the implementation of a loan program for farmers adopting certain specialized agricultural practices.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

**Section 1. Short title.**

This act shall be known and may be cited as the Agriculture-Linked Investment Program Act.

**Section 2. Legislative intent.**

It is the intent of the General Assembly that farmers be offered an incentive to encourage the adoption of agricultural best management practices as a part of a nutrient management plan, to prevent nutrients from washing off fields and entering streams and to prevent soil erosion. These incentives shall take the form of low-interest capital in exchange for the adoption of a nutrient management plan.

**Section 3. Definitions.**

The following words and phrases when used in this act shall have the meanings given to them in this section unless the context clearly indicates otherwise:

“Best management practices.” A practice or combination of practices determined by the State Conservation Commission pursuant to the act of May 20, 1993 (P.L.12, No.6), known as the Nutrient Management Act, to be effective and practicable (given technological, economic and institutional considerations) to manage nutrients to protect surface and groundwater; taking into account applicable nutrient requirements for crop utilization. Best management practices shall include, but not be limited to:

- (1) Conservation tillage.
- (2) Crop rotation.
- (3) Soil testing.
- (4) Manure testing.
- (5) Diversions.
- (6) Manure storage facilities.
- (7) Storm water management practices.
- (8) Nutrient application.

“Eligible borrower.” Any person who is domiciled in this Commonwealth, who engages in agricultural operation in this Commonwealth and who is a concentrated animal operation pursuant to the act of May 20, 1993 (P.L.12, No.6), known as the Nutrient Management Act.

“Lending institution.” Any financial institution that is authorized to issue commercial loans, is a State depository approved by the Board of Finance and Revenue and enters into an agreement with the Treasury Department for participation in the Agriculture-Linked Investment Program.

“Nutrient management plan.” A written site-specific plan which incorporates best management practices to manage the use of plant nutrients for crop production and water quality protection consistent with the criteria established pursuant to the act of May 20, 1993 (P.L.12, No.6), known as the Nutrient Management Act.

#### Section 4. Agriculture-Linked Investment Program; eligibility and implementation.

(a) Eligibility.—Operators of concentrated animal operations which are required to develop and implement nutrient management plans pursuant to section 6 of the act of May 20, 1993 (P.L.12, No.6), known as the Nutrient Management Act, shall be eligible for an Agriculture-Linked Investment Loan under this act. Documentation that a nutrient management plan has been approved for implementation shall be submitted with an application for an Agriculture-Linked Investment Loan. In no case shall the State Treasurer approve an application for a loan under this act until the documentation required under this subsection is received.

(b) Implementation of program.—The procedures applicable to the Agriculture-Linked Investment Program are as follows:

(1) Lending institutions wishing to participate in this program shall enter into an investment agreement with the Commonwealth.

(2) A lending institution shall accept and review applications for loans from eligible borrowers.

(3) The lending institution shall apply all usual lending standards to determine the creditworthiness of each eligible borrower.

(4) Upon its approval of an eligible borrower’s loan application, the lending institution shall submit the loan application and approval to the State Treasurer.

(5) The State Treasurer shall review the application to verify the borrower’s eligibility.

(6) Upon determination of borrower eligibility, the State Treasurer shall deposit, with the lending institution in a collateralized certificate of deposit in the name of the Commonwealth, funds sufficient to cover the amount of the loan requested.

(7) The lending institution shall credit the Commonwealth’s account with appropriate interest earnings at appropriate periods in accordance with rates established by the Board of Finance and Revenue.

(8) Funds loaned to an eligible borrower under this program shall be charged an interest rate no higher than 3% above the rate established pursuant to paragraph (7).

(9) Under the terms of this act, lending institutions which accept eligible borrowers shall allow borrowers to borrow the entire amount of

the loan at the outset or to establish a line of credit with periodic withdrawals up to the amount of the original loan.

(10) Loans shall not exceed \$75,000 and shall be placed for a maximum of a seven-year period, but nothing herein shall preclude the State Treasurer and a participating lending institution from negotiating a loan period for less than seven years.

(11) At the conclusion of the period of the eligible borrower's loan, the initial deposit, together with interest earned, shall be returned to the State Treasurer.

**Section 5. Liability.**

The Commonwealth and the State Treasurer shall not be liable to a lending institution in any manner for payment of the principal or interest on the loan made to an eligible borrower. Any delay in payments or default on the part of the eligible borrower shall not in any manner affect the deposit agreement between the lending institution and the State Treasurer.

**Section 6. Funding cap.**

The aggregate amount of Agriculture-Linked Investment loans issued under this act shall not exceed \$25,000,000 outstanding at any one time.

**Section 7. Effective date.**

This act shall take effect July 1, 1995.

APPROVED—The 12th day of December, A.D. 1994.

ROBERT P. CASEY