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Clearinghouse Rule 12-028

DATCP Docket No. 11-R-12
Rules Clearinghouse #

May 2, 2012
Hearing Draft Rule

**WISCONSIN DEPARTMENT OF AGRICULTURE,
TRADE AND CONSUMER PROTECTION**

PROPOSED ORDER

3 The Wisconsin department of agriculture, trade and consumer protection proposes the
4 following rule *to create* s. 161.50 (3) (e) and subch. IV of ch. ATCP 161, *relating to* the
5 “grow Wisconsin dairy producer” grant and loan program.

**Analysis Prepared by the Department
of Agriculture, Trade and Consumer Protection**

This rule implements the “grow Wisconsin dairy producer” grant and loan program created under s. 20.115 (4) (d) and 93.40 (1) (g), Stats., by 2011 Wisconsin Act 32 (biennial budget act). Under s. 93.40 (1) (g), Stats., the Department of Agriculture, Trade and Consumer Protection (“DATCP”) is authorized to award grants and loans to dairy producers for projects designed to promote the growth of the dairy industry. The budget act transferred an annual appropriation of \$200,000 for each year of the biennium from the then Department of Commerce to DATCP. (See s. 20.115 (4) (d), Stats.)

This rule does all of the following:

- Authorizes DATCP to make grant and loan awards and distribute grant and loan funds appropriated for the “grow Wisconsin dairy producer” grant and loan program.
- Specifies the procedures and criteria that DATCP will use to evaluate grant and loan proposals, make grant and loan awards and distribute grant and loan payments.
- Specifies the purposes for which grant and loan funds may be used, subject to the terms of the grant or loan contract.

Statutes Interpreted

Statute Interpreted: s. 20.115 (4) (d) and 93.40 (1) (g), Stats.

Statutory Authority

Statutory Authority: ss. 20.115 (4) (d), 93.40 (1) (g) and 93.07 (1), Stats.

Explanation of Statutory Authority

Section 93.07 (1), Stats., directs DATCP to make such regulations as are necessary for the discharge of all the powers and duties of the department. While granting the authority to make grants and loans to dairy producers, the budget language does not specify the bases for grant and loan determinations. The agency considers it necessary to adopt rules to establish the bases for grant and loan determinations in order to effectuate the purposes of s. 20.114 (4) (d) and 93.40 (1) (g), Stats. This rule implements the “grow Wisconsin dairy producer” grant and loan program on an interim basis, pending the adoption of “permanent” rules.

Related Rules or Statutes

There are no directly related rules or statutes, other than those cited above. DATCP rules for the “grow Wisconsin dairy producer” grant and loan program will be incorporated as a subchapter of ch. ATCP 161, Wis. Adm. Code (agricultural development and market promotion).

Plain Language Analysis

The “grow Wisconsin dairy producer” grant and loan program is designed to promote the growth of the dairy industry by providing grants and loans to dairy producers. The biennial budget act transferred \$200,000 in grant funding for each year of the FY 2011-13 fiscal biennium. This rule spells out grant and loan procedures and criteria. Under this rule, the “grow Wisconsin dairy producer” grant and loan program will support projects proposed by dairy producers intended to expand and diversify the dairy industry.

Grant and Loan Purposes

Under this rule, DATCP may award grants and loans for projects that create, expand, diversify or promote any of the following:

- New capital investment in the dairy industry.
- New technologies or practices related to dairy production.
- Improvement of the competitive position of the Wisconsin dairy industry.
- Efficient use of farmland and other agricultural resources for dairy production.
- Employment in the dairy industry.

Grant and Loan Limits

Under this rule, DATCP may award no more than \$50,000 of grant funding nor more than \$200,000 in loans to any person or entity in any state fiscal biennium. Once DATCP makes a grant award, DATCP may make the actual grant payments over an original contract term of up to 3 years. Loan awards may be for a term of up to 7 years.

Matching Contribution

DATCP may give preference to applicants providing matching funds which may be in the form of capital, land, labor, equipment or cash related to the grant or loan project.

Use of Grant and Loan Funds

Under this rule, grant funds may be used to reimburse any of the following expenses if those expenses are a reasonable and necessary part of the grant project:

- Operating expenses, including expenses for salaries and wages, contract and consulting services, travel, supplies and public information.
- Equipment rental.
- The purchase of equipment whose full value is ordinarily depreciable within one year.

Grant funds may not reimburse any of the following expenses:

- Real estate purchases.
- Repayment of loans or mortgages.
- Rent or contract payments for time periods extending beyond the term of the grant contract.
- Equipment purchases, except for certain equipment purchases and depreciation expenses specifically authorized by this rule.
- Administrative or overhead costs that are not direct costs of the grant project.

Loan funds are subject to the same use limitations as grant funds except that loan funds may be used for purchase of land and equipment without restriction so long as the purchase is related to the loan project.

Grant and loan Proposals

Under this rule, DATCP must issue at least one request for grant and loan proposals in each state fiscal biennium (DATCP may issue more frequent requests, if it chooses to do so). The request for proposals must describe the required form and content of grant and loan proposals, and must specify a deadline for submitting grant and loan proposals. Applicants must submit grant and loan proposals to DATCP, in the manner prescribed by DATCP's request for proposals.

Grant and Loan Awards

Under this rule, DATCP must evaluate grant and loan proposals and issue its grant awards within 90 days after the application deadline. DATCP must clearly identify each award recipient, the amount of the award, and the purposes for which the award is given.

DATCP must consider all of the following criteria when evaluating grant proposals and making grant and loan awards:

- The extent to which a proposed project will benefit the dairy industry.
- Whether the proposal complies with DATCP's request for proposals.
- Whether the proposed project meets the standards prescribed in this rule.
- The viability of the proposed project.
- The management and technical qualifications of the grant applicant.
- The qualifications of the persons who will carry out the project.
- The financial capacity of the grant applicant to complete the project as proposed.
- The adequacy of the project plan and budget.
- Whether the grant proposal adequately identifies the nature of project expenses to be reimbursed under the proposed grant.

Grant Contracts

Under this rule, DATCP must enter into a contract with a grant or loan recipient before distributing any funds to that recipient. The contract must spell out grant or loan terms and conditions, including performance requirements, reporting requirements and payment terms.

Grant Payments

Under this rule, DATCP may distribute grant funds in one or more payments, based on documented progress toward completion of the grant project. Loan funds may be distributed upon execution of the loan contract. The contract must describe payment terms and conditions. DATCP may require a grant and loan recipient to file progress reports and require grant recipients to submit expense documentation as necessary to support grant payments.

Fiscal Impact

This rule will have a fiscal impact on DATCP operations. Under this rule, DATCP must issue at least one request for grant proposals in each state fiscal biennium. DATCP staff must review grant applications, recommend grant awards, administer grants, and ensure compliance with applicable requirements. DATCP staff will also provide technical assistance to grant and loan applicants and recipients, as appropriate.

Program administration will occupy at least .5 FTE staff in DATCP's Division of Agricultural Development (this does not include legal, managerial, DATCP central accounting, or other indirect staff support). The cost for the .5 FTE staff will be \$50,000 per year, including salary, fringe benefits and support costs (there will be a smaller proportionate cost for the remainder of the current fiscal year). DATCP will try to fill program staffing needs by shifting current staff from other agricultural development programs. A complete Fiscal Estimate is attached.

Business Impact

The “grow Wisconsin dairy producer” grant and loan program is voluntary and thus imposes no cost on businesses. By providing \$200,000 in grant and loan funding to dairy producers, the “grow Wisconsin dairy producer” grant and loan program will benefit dairy farms, other dairy businesses and communities that participate in production, distribution or marketing of dairy products. Grant and loan recipients will benefit directly, while others will benefit indirectly from the creation of a stronger dairy industry. DATCP plans to use application procedures that will make the cost of applying insignificant and particularly make it possible for small businesses to apply for funding without hiring consulting services. A complete Business Impact Analysis is attached.

Federal and Surrounding State Programs

Federal Programs

There are currently no similar federal programs.

Surrounding State Programs

The Minnesota Dairy Development and Profitability Enhancement program awards \$200,000 annually in grants of up to \$5,000 per dairy producer to cover half the cost of a comprehensive business plan to evaluate farm start-up, modernization and expansion. In 2009-2010, 50 Minnesota producers were selected to share \$1 million in grants aimed at boosting the state’s livestock sector with projects that include renovation of milking facilities, barn upgrades, technology modernization, improved waste management systems and business transitions.

There are no similar programs in Illinois, Indiana, Iowa, or Michigan.

Data and Analytical Methodologies

DATCP worked with representatives of various dairy producer groups to develop standards for grant and loan determinations contained in this rule.

DATCP Contact

Questions and comments related to this rule may be directed to:

Nicole Bruenig
Department of Agriculture, Trade and Consumer Protection
P.O. Box 8911
Madison, WI 53708-8911
Telephone (608) 224-5080
E-Mail: nicole.bruenig@wi.gov

Rule comments will be accepted up to two weeks after the last public hearing is held on this rule. Hearing dates will be scheduled after this rule is approved by the Board of Agriculture, Trade and Consumer Protection.

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SECTION 1. ATCP 161.50 (3) (e) is created to read:

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ATCP 161.50 (3) (e). The grow Wisconsin dairy producer grant and loan

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program under ss. 20.115 (4) (d) and 93.40 (1) (g), Stats.

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SECTION 2. Subchapter VI of ch. ATCP 161 is created to read:

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Subchapter VI

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“Grow Wisconsin Dairy Producer” Grant and Loan Program

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ATCP 161.60 Purpose. This subchapter implements the “grow Wisconsin dairy

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producer” grant and loan program created under ss. 20.115 (4) (d) and 93.40 (1) (g),

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Stats.

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ATCP 161.61 Definitions. In this subchapter:

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(1) “Applicant” means a person who submits a grant or loan proposal under s.

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ATCP 161.64.

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(2) “Authorized department official” means the department secretary, deputy

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secretary or executive assistant.

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(3) “Dairy producer” means a licensed milk producer, licensed dairy plant or

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other licensed entities that produces or processes milk.

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(4) “Department” means the Wisconsin department of agriculture, trade and

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consumer protection.

1 (5) “Person” means an individual, corporation, cooperative, partnership, limited
2 liability company, trust, governmental entity, academic institution or other legal entity.

3 **ATCP 161.62 Grant program; general. (1) GRANT PURPOSES.** The
4 department may award grants under s. 93.40 (1) (g), Stats., for projects undertaken by
5 dairy producers that are designed to do any of the following:

6 (a) Increase production, profitability, processing, marketing or distribution of
7 Wisconsin dairy products.

8 (b) Increase capital investment in the dairy industry.

9 (c) Apply new technologies related to dairy production.

10 (d) Improve the competitiveness of the Wisconsin dairy industry.

11 (e) Make more efficient use of farmland and other agricultural resources for dairy
12 production.

13 (f) Create or retain jobs in the dairy industry.

14 **(2) GRANT AND LOAN PROPOSALS; EVALUATION.** A grant or loan award under
15 sub. (1) shall be based on a grant proposal submitted under s. ATCP 161.64. The
16 department shall evaluate grant and loan proposals according to s. ATCP 161.65.

17 **(3) GRANT AND LOAN AWARDS.** A grant or loan award under sub. (1) shall be
18 signed by an authorized department official. The grant or loan award shall clearly
19 identify the person to whom the grant or loan is awarded, the amount awarded, and the
20 purposes for which the grant or loan is awarded. The department may not award more
21 than \$50,000 in grant funding or more than \$200,000 in loans to the same person in any
22 state fiscal biennium.

23 **(4) GRANT AND LOAN TERMS AND CONDITIONS.** Each grant and loan is subject to
24 the terms and conditions provided in s. ATCP 161.63 and the grant or loan contract. The

1 department may specify terms and conditions to ensure that grant and loan funds are
2 effectively used for the purposes awarded.

3 (5) GRANT OR LOAN CONTRACT. The department may not distribute any grant or
4 loan funds to the recipient of a grant award under sub. (1) until that recipient enters into a
5 contract with the department. The contract shall comply with s. ATCP 161.66.

6 **NOTE:** Grant and loan proposals, awards, contracts, progress reports and other
7 documents are open to public inspection to the extent provided by
8 Wisconsin's open records law, subch. II of ch. 19, Stats.
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10 (6) The department may only award a grant or loan under this subch. for a project
11 conducted in this state.

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13 **ATCP 161.63 GRANT and loan terms and conditions. (1) USE OF GRANT**

14 **FUNDS.** Permitted uses of grant funds for expenses that are a reasonable and necessary
15 part of the grant project include:

16 (a) Operating expenses, including expenses for salaries and wages, contract and
17 consulting services, travel, supplies and public information.

18 (b) Equipment rental.

19 (2) PROHIBITED USES OF GRANT FUNDS.. Grant funds may not be used for any of
20 the following:

21 (a) Capital acquisition.

22 (b) Administrative or overhead expenses not directly related to the grant project.

23 (c) Repayment of loans or mortgages.

24 (3) USE OF LOAN FUNDS. Permitted uses of loan funds for expenses that are a
25 reasonable and necessary part of the loan project include:

1 (a) Operating expenses, including expenses for salaries and wages, contract and
2 consulting services, travel, supplies and public information.

3 (b) Equipment purchase or lease.

4 (c) Land and building acquisitions.

5 (4) PROHIBITED USES OF LOAN FUNDS. Loan funds may not be used repayment of
6 loans or mortgages.

7 **ATCP 161.44 Grant proposals. (1) GENERAL.** To obtain a grant or loan under
8 s. ATCP 161.62 (1), a person shall submit a grant or loan proposal in response to a
9 department request for grant proposals under sub. (2).

10 **(2) REQUEST FOR PROPOSALS.** (a) The department may, at any time, issue a
11 request for grant and loan proposals. The department shall issue a request for grant and
12 loan proposals at least once during every state fiscal biennium. A request for grant and
13 loan proposals shall be signed by an authorized department official and shall include all
14 of the following:

15 1. A deadline date and address for submitting proposals.

16 2. Format and content requirements for proposals.

17 3. The name, business mailing address, business email address, and business
18 telephone number of a department representative who can provide more information or
19 answer questions about the request for proposals.

20 4. Other relevant terms and conditions that the department wishes to include.

21 (b) The department shall issue a general news release announcing each request
22 for grant and loan proposals.

23 **NOTE:** Persons who wish to obtain a free copy of a request for grant and loan
24 proposals may contact the department at the following address:
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1 Wisconsin Department of Agriculture, Trade and Consumer Protection
2 "Grow Wisconsin Dairy Producer" Grant and Loan Program
3 P. O. Box 8911, Madison, WI 53718-8911
4 Email: GrowWisconsinDairy@wi.gov
5 Telephone: (855) 943-2479

6 **ATCP 161.45 Evaluating grant proposals.** (1) EVALUATION PERIOD. The
7 department shall evaluate grant and loan proposals submitted under s. this subchapter and
8 shall announce grant and loan awards within 90 days after the deadline for submission of
9 proposals specified in the applicable request for proposals. The department may require
10 applicants to submit additional information, as necessary, to complete a grant or loan
11 proposal.

12 (2) EVALUATION CRITERIA. In its evaluation under sub. (1), the department shall
13 consider all of the following criteria:

- 14 (a) Whether the proposal complies with the department request for proposals.
- 15 (b) Whether the proposed project complies with this subchapter.
- 16 (c) The viability of the proposed project.
- 17 (d) The management and technical qualifications of the applicant.
- 18 (e) The qualifications of the persons who will carry out the project.
- 19 (f) The financial capacity of the applicant to complete the project as proposed
- 20 (g) The adequacy of the project plan and budget.
- 21 (h) Whether the proposal adequately identifies project expenses including those
22 expenses paid for with grant or loan funds.
- 23 (i) The benefit of the project to the dairy industry.

(3) **MATCHING CONTRIBUTION.** The department may give preference to
applicants providing matching funds which may be in the form of capital, land, labor,
equipment or cash related to the grant or loan project.

1 **ATCP 161.66 Grant contracts. (1) CONTRACT REQUIRED.** A successful grant
2 and loan applicant shall enter into a contract with the department before any funds are
3 distributed to the applicant. No funding commitment is final until a contract is executed.

4 **(2) CONTRACT PROVISIONS.** Each grant and loan contract shall be signed by an
5 authorized representative of the department and the applicant and shall include provisions
6 to ensure that the grant or loan recipient complies with the provisions of this subchapter,
7 uses grant or loan funds according to its approved proposal and otherwise meets its
8 obligations to carry out the project in its approved proposal.

9 **(3) CONTRACT PERIOD.** A contract under this section takes effect when signed by
10 an authorized representative of the department. The original term of a grant contract may
11 not be for more than 3 years. The original term of a loan contract may not be for more
12 than 7 years.

13 **NOTE:** DATCP will include, in every contract under s. ATCP 161.66, general
14 terms and conditions required in state contracts under state law. The
15 department may include other terms and conditions that it considers
16 necessary.

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18 **(4) PAYMENT TERMS.** Every grant contract shall include payment terms and
19 conditions, including a payment schedule if applicable.

20 **NOTE:** The department may distribute grant funds in one or more payments,
21 based on documented progress toward completion of the grant project.
22 The grant contract will describe payment terms and conditions. Payments
23 are made on a reimbursement basis. The department may require a grant
24 recipient to file progress reports and submit expense documentation as
25 necessary to support grant payments. See s. ATCP 161.43(4).

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27 **SECTION 3. EFFECTIVE DATE AND DURATION:** This rule takes effect on
28 the first day of the month following publication in the Wisconsin administrative register,
29 as provided in s. 227.22(2)(intro.), Stats.

. Dated this _____ day of _____, 2012.

STATE OF WISCONSIN
DEPARTMENT OF AGRICULTURE,
TRADE AND CONSUMER PROTECTION

By _____
Ben Brancel, Secretary