

# 1996 SESSION

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## HOUSE JOINT RESOLUTION NO. 34

*Directing the Small Business Commission to study capital access and the financing of agricultural enterprises.*

Agreed to by the House of Delegates, February 23, 1996

Agreed to by the Senate, February 21, 1996

WHEREAS, the fundamental challenge faced by agriculture, aquaculture, and agribusiness is the inability to secure sufficient financing for new or expanding operations; and

WHEREAS, there are currently a number of state economic development financial assistance programs available, including the Private Activity Tax Exempt Bond Program, the Virginia Small Business Financing Authority Industrial Development Bond Program, the Virginia Small Business Financing Authority Umbrella Bond Program, the Virginia Economic Development Revolving Loan Fund, the Loan Guaranty Program, and the Export Financing Assistance Program; and

WHEREAS, many of the state bond programs have historically been used for those economic development projects that provide both a high level of capital investments and jobs; and

WHEREAS, the lending criteria and capital limits of most of these programs favor manufacturing and industrial businesses by requiring performance-based incentives that match the specific needs of these types of businesses, and thus restrict their applicability to agricultural production ventures; and

WHEREAS, agricultural production enterprises are typically very capital-intensive, often requiring an investment of nearly a million dollars for facilities and equipment, while only directly employing a small number of workers; and

WHEREAS, experience has shown that private financial institutions are reluctant to lend money to agricultural enterprises except at a high interest rate; and

WHEREAS, government cannot replace the private sector as the primary source of financing for agricultural enterprises; and

WHEREAS, the State of Michigan has developed a successful capital access program which brings together government, private financial institutions and businesses seeking venture capital, with loan decisions remaining in the hands of the banks; and

WHEREAS, Virginia lacks a strategy for attracting privately managed investment and working capital to our rural agricultural communities; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Small Business Commission be directed to study capital access and the financing of agricultural enterprises. The Commission shall examine the following: (i) new initiatives and existing state programs which may increase the accessibility to public and private capital; (ii) programs implemented in other states, such as Michigan, aimed at increasing the access to capital; and (iii) the appropriate role of the state in providing the agricultural and aquacultural communities greater access to capital.

The Commission shall complete its work in time to submit its findings and recommendations to the Governor and the 1997 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.

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