



**House
Legislative
Analysis
Section**

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CORN RESEARCH FUNDS

**Senate Bill 510 with House committee amendments
First Analysis (5-31-90)**

JUN 12 1990

**Sponsor: Senator Harmon Cropsey
Senate Committee: Agriculture and Forestry
First House Committee: Appropriations
Second House Committee: Transportation**

THE APPARENT PROBLEM:

Public Act 232 of 1987 amended the Michigan Vehicle Code to increase certain drivers' fees and to establish fees for various road tests that are required in order to obtain a vehicle operator's license. Of the revenues generated in fees, \$100,000 must be used for the "attraction, enhancement, or completion of ethanol-producing facilities which use Michigan corn in the production of their product." Ethanol, or ethyl alcohol, is distilled from the fermentation products of grain such as corn. Farmers have looked to such ventures as ethanol production in their search for new markets for corn and other grains. As of 1988, there were a reported 55 ethanol-producing plants in 20 states, including one in Michigan. That plant, located in Palmer in Jackson County, is now out of operation, as are three other plants in Litchfield, Bronson, and Alma, that had ceased operations prior to the closing of the Jackson County plant. Despite this situation, funding for corn research remains in the general fund. Rather than reallocate the money to other purposes, some people believe that research should continue in the development of corn-derived products, including those related to transportation purposes. Amendments to effect this funding have been proposed.

THE CONTENT OF THE BILL:

The bill would amend the Michigan Vehicle Code to require that \$100,000 of the money generated by the driver's license fee increase of 1987 be used for research of products derived from Michigan-grown corn for, but not limited to, transportation purposes described in Section 9 of Article IX of the State Constitution. The money could be used in the current fiscal year or in the next fiscal year.

MCL 247.660c

HOUSE COMMITTEE ACTION:

The House Transportation committee adopted amendments to the bill that would allow the \$100,000 to be spent either in the current fiscal year or in the coming fiscal year.

FISCAL IMPLICATIONS:

The Senate Fiscal Agency has noted that the bill would reserve \$100,000 from the general fund for research of chemicals derived from Michigan-grown corn. (1-25-90)

ARGUMENTS:

For:

The bill, with its funding for research, could aid in the development of alternative markets for Michigan-grown corn and create additional jobs in this state. Other states, notably Nebraska, have investigated alternative uses for corn. In addition to producing ethanol, corn has been used

in the production of biodegradable plastics, road de-icers, disposable bottles, filters, water absorbers, medicines, adhesives, and high protein and vitamin feed. Many expect that the use of oxygenated fuels such as ethanol will gain in popularity in the future as environmental concerns about air quality increase. Ethanol blend fuels reportedly can reduce carbon monoxide emissions by 25 to 30 percent. Some environmental groups support using ethanol in gasoline as one way of reducing air pollution. Thus, the one-time set-aside of \$100,000 in driver's license revenues could serve as seed money to promote new industries, including transportation-related enterprises, in Michigan.

Against:

The funding for corn product development has been earmarked in the budget for the past two years, during which no one has come forward seeking the funds for such research. While Michigan motorists use oxygenated fuels, there has been little success in the state in operating ethanol production plants. While one Michigan firm reportedly is interested in pursuing corn research, it is not clear how serious or widespread interest may be. At a time when the state is suffering severe budget shortages and facing cuts in important services, the \$100,000 in question could be better used elsewhere.

POSITIONS:

The Department of Agriculture supports the bill. (5-30-90)