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BILL ANALYSIS

Senate Fiscal Agency

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Senate Bill 510 (as passed by the Senate)

Sponsor: Senator Harmon Cropsey

Committee: Agriculture and Forestry

Date Completed: 1-25-90

RATIONALE

Public Act 232 of 1987 amended the Michigan Vehicle Code to increase certain drivers' license fees and to establish fees for various road tests that are administered in order to obtain a vehicle operator's license. Of the revenues generated from the increases 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 order to develop new markets for corn and other grains. As of 1988, reportedly there were 55 ethanol-producing plants in 20 states, including one plant operating in Michigan. That plant, located in Palmer in Jackson County, now is out of operation as are three other plants, located in Litchfield, Bronson, and Alma, which had ceased operations prior to the closure of the Jackson County plant. Despite this situation, funding for corn research remains in the State's General Fund. Some people believe that research should continue in the development of corn-derived products, including those related to transportation purposes.

CONTENT

The bill would amend the Michigan Vehicle Code to require that \$100,000 of the \$1.35 million in revenue, generated by an increase in drivers' license fees under Public Act 232 of 1987, that is deposited in the General Fund, be used during the

fiscal year ending September 30, 1990, 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.

(Section 9 of Article IX of the State Constitution requires that all specific taxes, except sales and use taxes and regulatory fees, imposed on motor vehicle and aircraft fuels as well as on registered motor vehicles and aircraft be used for transportation purposes. As least 90% of the specific taxes imposed on motor vehicle fuels and on registered motor vehicles must be used for planning, constructing, and maintaining State, county, city, and village roads, streets, and bridges. The balance, if any, of the specific taxes imposed on motor vehicle fuels and on registered motor vehicles, 100% of the specific taxes imposed on aircraft fuels and on registered aircraft, and up to 25% of the general sales taxes imposed on motor vehicle fuels, motor vehicles, and motor vehicle parts and accessories must be used for "comprehensive transportation purposes" as defined by law.

"Comprehensive transportation" is defined in the State trunkline highway system Act to mean the movement of people and goods by publicly or privately owned water vehicle, bus, railroad car, aircraft, rapid transit vehicle, taxicab, or other conveyance that provides general or special service to the public, but does

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not include charter or sightseeing service or transportation that is exclusively for school purposes (MCL 247.660c.)

MCL 257.819

FISCAL IMPACT

The bill would reserve \$100,000 in FY 1989-90 from the State General Fund for research of chemicals derived from Michigan-grown corn.

ARGUMENTS

Supporting Argument

Encouraging research into products derived from Michigan-grown corn could result in the development of alternative markets for Michigan corn producers and provide an opportunity for creating additional jobs in the State. Other states, primarily Nebraska, have investigated alternate 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. Furthermore, it is predicted 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%. Some environmental groups support using ethanol in gasoline as one way of reducing air pollution. Thus, the one-time set-aside of \$100,000 generated by Public Act 232, as proposed in Senate Bill 510, could serve as seed money to promote new industries in the State.

Opposing Argument

The funding for corn-product development has been earmarked in the budget for the past two years. In that time, however, no one has come forward requesting money 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 certain how widespread is the interest to develop such facilities in the State.

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A8990/S510A

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.