



Senate Fiscal Agency
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BILL ANALYSIS



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Senate Bills 1031 and 1032 (as passed by the Senate)

Sponsor: Senator Dale L. Shugars (Senate Bill 1031)

Senator Joel D. Gougeon (Senate Bill 1032)

Committee: Economic Development, International Trade and Regulatory Affairs

Date Completed: 11-4-96

RATIONALE

Over the past few years, Michigan has made a number of changes to its natural resources and environmental protection laws to address the myriad problems associated with cleaning up and restoring contaminated sites and preventing future pollution of the State's waterways, recreational areas, and other natural resources. Recent legislation, for instance, has included Public Acts 380, 381, and 382 of 1996, which address the revitalization of contaminated industrial sites ("brownfields") and provide funding for cleanup activities. Some people have suggested that the State should take additional measures to increase citizens' and businesses' involvement in cleanup and prevention. For example, some other states reportedly have created a corps of volunteers who work on a variety of environmental projects. Another suggestion is to provide a tax credit to businesses that purchase pollution prevention equipment.

CONTENT

Senate Bill 1031 would amend the Natural Resources and Environmental Protection Act to create the Senior and Youth Environmental Corps within the Department of Environmental Quality (DEQ). Senate Bill 1032 would amend the Single Business Tax Act to create a tax credit equal to 5% of the cost of pollution prevention equipment.

Senate Bill 1031

The DEQ and the Department of Natural Resources (DNR) would have to participate in the administration and implementation of the Senior and Youth Environmental Corps. ("Senior" would mean an individual who was 55 years of age or

older. "Youth" would mean an individual who was 17 or younger.) The Corps would be required to do the following:

- Provide resources and a support structure to facilitate Corps activities and accomplish goals.
- Carry out professional and paraprofessional projects that focused on conservation, protection, rehabilitation, and enhancement of the State's natural, environmental, and recreational resources and that otherwise would not be implemented because of limited financial resources.
- Provide meaningful opportunities for senior volunteers to continue to use their professional training, lifelong skills, abilities, experience, and wisdom through participation in Corps projects.
- Provide meaningful opportunities for youth volunteers to gain experience and develop skills through participation in Corps projects.
- Assist agencies in carrying out statutory assignments with limited funding resources.
- Enhance community understanding of environmental issues through educational outreach.
- Enhance the State's ability to provide needed public services in both urban and rural settings.

The DEQ would have to convene a Senior and Youth Environmental Corps Coordinating Council to meet as needed to establish and assess policies; define standards for projects; evaluate and select projects; develop recruitment, training, and placement procedures; receive and review project status and completion reports; and provide for recognition of volunteer activity. The council would have to include representatives appointed

by the DEQ and the DNR. It would have to adopt bylaws, policies, and procedures to govern its activities, and advise the DEQ Director on distribution of available funding for Corps activities.

The Corps could not be funded using any State funds. The DEQ would be permitted to do all of the following: provide a coordinator and staff support to the council as needed; provide support to agencies for recruitment of volunteers; develop a budget and allocate available funds with the advice of the council; develop a written agreement; collect and maintain project and volunteer records; provide reports to the Legislature and the council as requested; provide agency project managers and volunteers with orientation to the Corps program and training in the use of volunteers; act as a liaison with and provide information to other states and jurisdictions on the Corps program and program activities; develop project proposals; administer project activities within the agency; develop appropriate procedures for the use of volunteers; provide project orientation, technical training, safety training, equipment, and supplies to carry out project activities; maintain project records and provide project reports; apply for and accept grants or contributions for Corps approved projects; and, with the approval of the council, enter into memoranda of understanding and cooperative agreements with Federal, State, and local agencies to carry out Corps approved projects. The Department could not use Corps volunteers to displace currently employed workers.

All volunteer activity of Corps participants would have to be performed under the terms of a written master agreement approved by the council and the Attorney General. At a minimum, the volunteer agreement would have to include a description of the work that the volunteer was to perform, including the standards of performance required; any expenses or other benefits to which the volunteer was entitled, such as mileage, lodging, uniforms or other clothing or supplies; training or other support to be provided to the volunteer by the agency; the duration of the agreement; and terms under which it could be canceled.

Senate Bill 1032

The bill specifies that for tax years beginning after December 31, 1996, a taxpayer could claim a single business tax credit equal to 5% of the costs paid in the tax year for pollution prevention equipment used by the taxpayer at a facility in this State to mitigate air or water pollution, including,

but not limited to, air cleaning devices and air pollution control equipment that complied with the lowest achievable emission rate (LAER) or best available control technology (BACT) requirements, as those terms are defined in Federal statute.

A taxpayer could claim a credit under the bill for costs that were used by the taxpayer to calculate a credit under the Act's capital acquisition tax deduction provisions.

If the credit allowed by the bill for a tax year and any unused carryforward of the credit exceeded the taxpayer's tax liability for the tax year, the excess amount could not be refunded but could be carried forward to offset tax liability in subsequent tax years for 10 years or until it was used up, whichever occurred first.

"Pollution prevention equipment" would mean equipment that was used in the reduction or prevention of pollution at the source, that reduced the amount of any hazardous substance, pollutant, or contaminant entering any waste stream or otherwise released into the environment prior to recycling treatment or disposal, and that reduced hazards to public health and the environment.

MCL 324.801 et al. (S.B. 1031)
Proposed MCL 208.38e (S.B. 1032)

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

Rather than merely reacting to contamination that already exists, Michigan should take proactive steps to prevent pollution from occurring in the first place. The State could do so by increasing citizens' involvement in environmental projects and by rewarding businesses that invested in equipment to reduce air and water pollution, as these bills propose. The establishment of a Senior and Youth Environmental Corps would create opportunities for retirees to use and share their skills and experience, while increasing the environmental awareness of young citizens. At the same time, volunteers would work on projects that otherwise would not be undertaken because of scarce financial resources. The proposed single business tax credit would give private industry an incentive to support good environmental policy and invest in Michigan.

Opposing Argument

Because the State's environmental programs are highly technical, it would be difficult to find volunteers (particularly youths) with the necessary expertise to carry out meaningful projects. There also are concerns about how Senate Bill 1031 would affect existing programs and resources. Although the bill specifies that State funds could not be used for the Corps, developing projects and training and supervising volunteers could place demands on DEQ personnel and take them away from current responsibilities.

Response: The DEQ's activities under the bill would be permissive.

Opposing Argument

Encouraging businesses to reduce pollution is certainly a worthwhile goal, but the State can ill afford the loss of revenue that would result from the tax cut proposed by Senate Bill 1032.

Response: The bill originally would have allowed credit equal to 100% of equipment costs. A Senate amendment reduced the proposed credit to 5% of costs.

Legislative Analyst: S. Margules

FISCAL IMPACT

Senate Bill 1031

The bill would have an indeterminate fiscal impact on State and local government, dependent upon the appropriations process.

For FY 1996-97, \$2.2 million has been appropriated for the Michigan Civilian Conservation Corps within the Department of Natural Resources. The program focuses on providing job training for low income youth on natural resources-related projects.

Senate Bill 1032

This bill would reduce single business tax (SBT) revenue by an estimated \$15 million in FY 1996-97 and \$20 million in FY 1997-98. Under current law, this reduction in SBT revenue would be felt entirely by the general purpose portion of the General Fund budget.

Fiscal Analyst: G. Cutler (S.B. 1031)
J. Wortley (S.B. 1032)

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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.