

Legislative Analysis



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ALTERNATIVE FUELS

House Bill 5181
Sponsor: Rep. Jeff Mayes

House Bill 5754
Sponsor: Rep. Neal Nitz

House Bill 5753
Sponsor: Rep. Gabe Leland

House Bill 5755
Sponsor: Rep. John Stahl

Committee: Agriculture
Complete to 2-28-06

A SUMMARY OF HOUSE BILL 5181 AS INTRODUCED 9-15-05 AND HOUSE BILLS 5753-5755 AS INTRODUCED 2-23-06

Generally speaking, the bills would encourage the increased production capacity and consumption of "alternative fuels" such as E85, biodiesel, biodiesel blends, and hydrogen fuel. House Bill 5181 would create a Fuels of the Future Commission, House Bill 5753 would require the Department of Agriculture to place E85 and biodiesel dispensing stations at state motor pools, House Bill 5754 would provide grants for the creation of E85 and biodiesel stations, and House Bill 5755 would provide the regulation of diesel fuel, biodiesel, and hydrogen fuel under the Motor Fuels Quality Act.

House Bill 5181

The bill would create the "Fuels of the Future Commission Act" to create the Fuels of the Future Commission within the Department of Agriculture to investigate and recommend strategies for encouraging the use of alternative fuels. The commission, chaired by the director of the Department of Agriculture (or his or her designee) would include members representing the Michigan Economic Development Corporation, the Department of Labor and Economic Growth, corn producers, soybean producers, automotive fuel blenders, retail petroleum sellers, biodiesel producers, ethanol producers, environmental organizations, automotive manufacturing, state colleges and universities researching alternative fuels, and any other member the governor believes is necessary to further the commission's purpose. The commission would have to issue a written report within one year of the bill's effective date and issue additional follow-up reports at least on an annual basis. The bill would be repealed January 1, 2010.

House Bill 5753

The bill would amend the Management and Budget Act (MCL 18.1213) to require the director of the Department of Management and Budget, not later than October 1, 2006, to install the necessary infrastructure for, or contract with a supplier to provide, E85 fuel and biodiesel fuel blends at all state motor transport facilities.

House Bill 5754

The bill would amend the Michigan Strategic Fund Act (MCL 125.2078) to require the Michigan Strategic Fund to create and administer a matching grant program to provide incentives to owners and operators of service stations to create fuel delivery systems capable of providing E85 fuel and biodiesel fuel blends. The grant program would provide awards of 50 percent of the cost of creating the fuel system. The awards would be capped at \$2,000 for the costs of converting an existing system into a E85 and biodiesel system, and \$20,000 for the cost of creating a new E85 and biodiesel system.

House Bill 5755

Generally speaking, House Bill 5755 would extend provisions in the Motor Fuels Quality Act, which regulates the sale and quality of gasoline sold or offered for sale in the state, to also apply to diesel fuel, biodiesel, biodiesel blends, and hydrogen fuel. Specifically, the bill would do the following:

- Require the director of the Department of Agriculture to establish standards relating to the purity and quality of diesel fuel sold or offered for sale in the state, and standards for the amount and types of additives that may be included in diesel fuel.
- Require firms selling hydrogen fuel to register and obtain approval from the Department of Agriculture.
- Prohibit retail outlets from selling or offering for sale diesel fuel, biodiesel, or biodiesel blends if there is at least two inches of water or water-alcohol in the storage tank.
- Prohibit the manufacture of diesel fuel and hydrogen fuel that does not meet the specifications required by the Department of Agriculture.
- Prohibit firms from transferring, selling, offering for sale, or dispensing diesel fuel, biodiesel, or biodiesel blends not meeting the required specifications.
- Prohibit refiners and distributors from transferring, selling, or dispensing diesel fuel, biodiesel, biodiesel blends, or hydrogen fuel unless sales invoices identify the name of the wholesale distributor who received delivery of the fuel.
- Prohibit refiners and distributors from transferring, selling, or dispensing diesel fuel, biodiesel, biodiesel blends, or hydrogen fuel to a retailer unless the retailer has a valid gasoline outlet license from the Department of Agriculture.
- Require sales invoices for diesel fuel, biodiesel, biodiesel blends, or hydrogen fuel sold to individuals not required to obtain a license under the Motor Fuels Quality Act or the Motor Fuels Tax Act to include identifying information of the purchaser.
- Prohibit firms from selling, transferring, or dispensing diesel fuel, biodiesel, or biodiesel blends unless the fuel is visibly free of undissolved water, sediments, and other suspended matter.
- Require distributors and retailers selling or transferring diesel fuel, biodiesel, biodiesel blends, or hydrogen fuel to obtain a license from the Department of Agriculture for each retail outlet from which the fuel is sold.

- Requires firms to provide the Department of Agriculture, in the course of an investigation into alleged violations of the act, with access to documents concerning the receipt, transfer, sale, or storage of diesel fuel, biodiesel, biodiesel blends, or hydrogen fuel

FISCAL IMPACT:

House Bill 5754: In the short term, there will be no significant fiscal impact on either the State of Michigan or its local units of government. In the long term, the impact is indeterminate and will depend on the availability, at competitive prices, of automobiles that can use ethanol, bio-diesel, or biomass fuels.

A fiscal analysis of the other bills in is in process.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.