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BILL ANALYSIS

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House Bill 5754 (Substitute H-2 as passed by the House)
Sponsor: Representative Neal Nitz
House Committee: Agriculture
Senate Committee: Technology and Energy

Date Completed: 5-24-06

CONTENT

The bill would amend the Michigan Strategic Fund Act to require the Fund to create and administer separate matching grant programs to provide incentives to service station and bulk plant owners and operators to convert existing fuel delivery systems, and create new fuel delivery systems, designed to provide E85 fuel and biodiesel blend.

The service station grant program would have to provide for all of the following:

- That a grant could not exceed 50% of the costs to convert an existing fuel delivery system to provide E85 fuel or biodiesel blend, not to exceed \$2,000 per facility.
- That a grant could not exceed 50% of the new construction costs to create a fuel delivery system, not to exceed \$15,000 per facility for E85 fuel and \$5,000 per facility for biodiesel blend.
- A contractual provision requiring the grant recipient to repay a portion of the grant if the recipient stopped using the fuel delivery system to provide E85 fuel or biodiesel blend within three years of receiving the grant, as determined by the Fund.

The bulk plant matching program would have to provide that a grant could not exceed 50% of the costs to convert an existing fuel delivery system to provide biodiesel blend, not to exceed \$2,000 per facility; or 50% of the new construction costs to create a fuel delivery system, not to exceed \$15,000 per facility. Additionally, the program would have to provide for a contractual requirement that the recipient repay a portion of the grant if the recipient stopped using the system to provide biodiesel blend within three years of receiving the grant.

The portion of a grant to be repaid would have to be calculated by multiplying the amount of the grant by a fraction, the numerator of which was the number of days that the system was not used to provide E85 fuel or biodiesel blend during the three-year period, and the denominator of which was 1,095.

The Fund initially would have to fund the matching grant programs with a combined amount of up to \$500,000 in the 2006-2007 fiscal year.

"Bulk plant" would mean that term as defined in Section 2 of the Motor Fuel Tax Act, i.e., a motor fuel storage and distribution facility that is not a terminal and from which motor fuel may be withdrawn by a tank wagon, a transport truck, or a marine vessel.

"Biodiesel" would mean a fuel composed of mono-alkyl esters of long chain fatty acids derived from vegetable oils or animal fats, and, in accordance with standards specified by the American Society for Testing and Materials (ASTM), designated B100, and meeting the requirements of D-6751, as approved by the Michigan Department of Agriculture.

"Biodiesel blend" would mean a fuel composed of a blend of biodiesel fuel with petroleum-based diesel fuel, suitable for use as a fuel in a compression-ignition internal combustion diesel engine.

"E85 fuel" would mean a fuel blend containing between 70% and 85% denatured fuel ethanol and gasoline suitable for use in a spark-ignition engine and that met ASTM D-5798 specifications.

Proposed MCL 125.2078

Legislative Analyst: Julie Koval

FISCAL IMPACT

Under the bill, the matching grants would be limited to \$2,000, \$5,000, or \$15,000 per grant, with the total of grants awarded not to exceed \$500,000 in FY 2006-07. No fund source is identified by the bill. Implementation of the program would require use of existing resources within the budget for the Michigan Strategic Fund.

Fiscal Analyst: Elizabeth Pratt
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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.