

Legislative Analysis



RENAISSANCE ZONES FOR FACILITIES PRODUCING ENERGY FROM CELLULOSIC MATERIALS

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House Bill 5746

Sponsor: Rep. Frank Accavitti, Jr.

Committee: Agriculture

Complete to 5-7-08

A SUMMARY OF HOUSE BILL 5746 AS INTRODUCED 2-14-08

The bill would amend the Michigan Renaissance Zone Act to do the following:

- Require that the State Administrative Board receive a favorable recommendation from both the Michigan Strategic Fund Board *and* the Commission of Agriculture before creating a new renaissance zone for renewable energy.

Note, however, that Public Act 117 of 2008 (Senate Bill 885), effective April 29, 2008, has already added the requirement that the Commission of Agriculture recommend the creation of a renewable energy renaissance zone, but only if the proposed facility uses agricultural crops or residues, or processed products from agricultural crops as its raw material source. The current bill does not limit the requirement to facilities involving these materials. Before the adoption of Public Act 117, effective April 29, 2008, only a recommendation by the Michigan Strategic Fund Board was required. The current requirement that the city, village, or township (or combination thereof) in which the renaissance zone would be located consent to its creation would be retained.

- Require that at least six of the ten additional renewable energy renaissance zones that can be created under the Renaissance Zone Act be designated for facilities that use cellulosic materials for energy production. The term "cellulosic materials" does not appear to be defined in the bill or current law. However, the term "cellulosic materials" presumably refers to plant materials such as corn stover (the leaves and stalks left in the field after harvesting), switchgrass (a perennial prairie grass), and other plant materials from which ethanol can be produced as an alternative to ethanol derived from corn.

MCL 15.2688e

BACKGROUND INFORMATION:

As noted above, the Legislature very recently amended the Michigan Renaissance Zone Act (Public Act 117 of 2008, effective April 29, 2008) to require the recommendation of the Commission on Agriculture before a renewable energy renaissance zone could be created if a proposed facility uses agricultural crops or residues, or processed products from agricultural crops as its raw material source. Among other things, Public Act 117

also revised the definition of "renewable energy facility." In addition, on May 1, 2008, the House subsequently passed a bill (House Bill 4950) that would revise the definition of "renewable energy facility" again.

As defined in Public Act 117, a "renewable energy facility" means "a system that creates energy from a process using agricultural crops or processed products from agricultural crops; residues from agricultural products, forest products, paper products industries, and food production and processing; trees and grasses grown specifically to be used as energy crops; and gaseous fuels produced from solid biomass, animal wastes, or landfills. Senate Bill 885 was tied-barred to House Bill 5600, recently enacted as Public Act 116 of 2008.

House Bill 4950, passed by the House on May 1, 2008, would further amend the definition of "renewable energy facility" to include facilities that (1) create energy *or fuels* from additional sources such as the wind, the sun, algae, and others; (2) focus on related research and development; or (3) manufacture renewable energy systems or their components. On the other hand, under House Bill 4950, (1) energy from a process "using agricultural crops or processed products from agricultural crops" would be eliminated (although facilities that create energy or fuels from "agricultural commodities" would now be included); (2) a facility that produces energy from the residues from food production and processing would no longer be expressly included; and (3) the current requirement that trees or grasses must be grown specifically as energy crops would be eliminated.

More specifically, House Bill 4950 would define a "renewable energy facility" as

- A facility that creates energy or fuels from the wind, the sun, trees, grasses, biosolids, algae, agricultural commodities, residues from agricultural, wood, and forest products processes, or from the paper products industry. (Note that the terms "agricultural processing facility" and "forest products processing facility" have specific definitions in the act.)
- A facility that creates energy or fuels (not limited to gaseous fuels as is currently the case) from solid biomass, biosolids, animal wastes, landfills, or materials captured from landfills. (Note: the term "biosolids" appears twice.)
- A facility that focuses on research, development or manufacturing of systems or their components used to create energy or fuel from the sources described above as determined by the Strategic Fund Board.

FISCAL IMPACT:

House Bill 5746 would have an indeterminate fiscal impact on state and local governments. Renaissance zones offer tax exemptions to the qualified facilities operating within them. These tax exemptions reduce revenue to both the state and local units of government, as well as increasing state General Fund expenditures to reimburse forgone

revenue to public libraries, ISDs, school districts, community colleges, and the School Aid Fund.

Current law under Public Act 270 of 2006 allows the State Administrative Board to designate up to 10 additional renaissance zones for renewable energy facilities. Since that time, however, only one such renaissance zone has been approved. This bill restricts six of the ten renaissance zones for renewable energy facilities to those that use cellulosic materials. It cannot be determined at this time what impact this restriction would have on the designation of additional renaissance zones or upon State and local revenues.

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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.