

Legislative Analysis



ALTERNATIVE FUELS LICENSE PLATES AND FUND

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House Bill 5750

Sponsor: Rep. Kathleen Law

House Bill 5751

Sponsor: Rep. Fred Miller

Committee: Agriculture

Complete to 5-13-08

A REVISED SUMMARY OF HOUSE BILLS 5750 AND 5751 AS INTRODUCED 2-14-08

House Bill 5750 would amend the Motor Fuels Quality Act to create an Alternative Fuels Fund within the state treasury.

Proposed MCL 290.645a

House Bill 5751 would require the Secretary of State to issue an alternative fuel fund-raising license plate, with funds raised from sale of the plates credited to the new Alternative Fuels Fund. House Bill 5751 is tie-barred to House Bill 5750, meaning that it could not take effect unless House Bill 5750 is also enacted.

MCL 257.811e, et al.

House Bill 5750 (Alternative Fuels Fund)

The Fund. The bill would create the Alternative Fuels Fund within the state treasury. Money or assets from any source could be deposited into the Fund. The state treasurer would direct the Fund's investment and credit it with its interest and earnings. Money in the Fund at the close of the fiscal year would remain in the fund and not lapse to the General Fund. (Note: Revenue from the sale of alternative fuels license plates to be issued under the companion bill would be deposited into the Fund.)

Quarterly disbursements. The state treasurer would be required to disburse money deposited into the Fund on a quarterly basis to the Department of Agriculture. Beginning February 1, 2009, the department would have to submit a summary to the state treasurer of expenditures during the preceding year.

Audits. The Department of Agriculture would be considered the administrator of the Fund for auditing purposes.

Purposes. The Fund would be used to do one or more of the following:

- Promote the production and use of alternative fuels.

- Award grants to improve the production of alternative fuels in Michigan.
- Encourage the development of quality standards for alternative fuels.
- Provide incentives to retailers who sell alternative fuels.
- Promote the sale of vehicles that can use alternative fuels.

Definitions. "Alternative fuels" would include biodiesel, biodiesel blends, hydrogen fuel, and E85 fuel. (E 85 fuel is defined as "a fuel blend containing between 70 percent and 85 percent denatured fuel ethanol and gasoline suitable for use in a spark-ignition engine and that meets American Society for Testing and Materials D-5798 specifications.")

House Bill 5751 (Alternative fuels license plate)

House Bill 5751 would amend provisions of the Motor Vehicle Code concerning the development and issuance of fund-raising plates and matching collector plates by the Secretary of State.

No limit on number of fund-raising plates being developed. The bill would eliminate the current limit of eight on the number of these plates that may be developed at any one time.

Alternative fuel plates. The bill would direct the Secretary of State to develop and issue a fund-raising plate recognizing alternative fuel, designed in conjunction with the Department of Agriculture. (There is no mention of a matching collector plate.)

Transfer of funds. The Secretary of State would transfer the donation money from the sale of the alternative fuel fund-raising plates to the state treasurer to be credited to the Alternative Fuels Fund created by House Bill 5750.

FISCAL IMPACT:

House Bill 5750 would amend the Motor Fuels Quality Act to create an Alternative Fuels Fund within the state treasury. The bill would allow money or assets from any source to be deposited into the Fund, but does not direct any particular fee or tax to the fund.

House Bill 5751, which is tie-barred to House Bill 5750, would amend the Michigan Vehicle Code to add new Section 811r to direct the Secretary of State to create a new alternative fuel fund-raising registration license plate and would direct revenue from that plate to the Alternative Fuels Fund established under House Bill 5750. The bill would also amend Section 811e of the Michigan Vehicle Code to eliminate the current limitation of eight fund-raising plates at any one time.

Section 811e was amended by House Bill 6137 of the 2005-2006 legislative session (enacted as 2006 PA 536). That bill provided the Secretary of State with the authority to issue up to eight fund-raising registration and collector license plates at any one time, and to provide a means for the Secretary of State to recover initial start-up costs of designing

and producing fund-raising plates. In brief, Public Act 536 of 2006 required the sponsors of a new fund-raising license plate to pay a non-refundable \$15,000 start-up fee.

House Bill 5751 indicates that "the Secretary of State shall develop under Section 811e and issue under Section 811e a fund-raising plate recognizing alternative fuel." If the fund-raising registration plate were issued under the provisions of Section 811e, the Secretary of State would presumably be required to assess the initial \$15,000 start up fee.

Under provisions of Section 811f of the Michigan Vehicle Code, a person who elects to purchase a fund-raising plate as a registration license plate pays a regular registration tax according to the schedule in Section 801 (credited to the Michigan Transportation Fund), an additional \$10.00 service fee (credited to the Transportation Administration Collection Fund (TACF) to cover the marginal costs of producing the plate, and a \$25.00 fund-raising donation. In the past the Department of State indicated that the \$10.00 service fee covers the marginal costs of producing these plates, but not the start-up costs associated with developing new fund-raising plates. The department indicated that these start-up costs are approximately \$15,000 per new plate issue.

According to Department of State records, for the fiscal year ending September 30, 2007, there were 229,479 fund-raising plate transactions, generating over \$1.4 million for the eight authorized special causes and over \$1.4 million for the 15 state universities. We have no estimate as to how many Alternative Fuel Plates would be sold and thus how much in donation revenue the plate would generate.

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