

REVENUE: Revenue statement issued

FISCAL: May have fiscal impact; statement not yet issued

Action: Do pass and refer to Committee on Ways and Means by prior reference.

Vote: 4-1-0

Yeas: Burdick, G. George, Monroe, Deckert

Nays: Starr

Exc.:

Prepared By: Mazen Malik, Economist

Meeting Dates: 5/2

WHAT THE BILL DOES: Authorizes the issuance of lottery bonds for grants to fund feasibility studies regarding the development necessary to construct cellulosic ethanol demonstration plants. Appropriates moneys from the Cellulosic Ethanol Demonstration Plant Project Fund to the Department of Energy to provide grants and loans to certain entities to undertake feasibility studies regarding development necessary to construct cellulosic ethanol demonstration plants. Sunsets June 30, 2010.

ISSUES DISCUSSED:

- Opportunity for alternative energy.
- Timber, Grass, tree farms, forest products and raw materials.
- Seed money for multimillion-dollar industry.
- Economic potential and high internal rate of return.
- Billions paid for energy needs (\$12 million a day).
- Venture capital, interested or not.
- Why state needs to fund the industry.

EFFECT OF COMMITTEE AMENDMENTS: None

BACKGROUND:

Cellulosic ethanol is produced from cellulose fibers in wood, wheat straw and various feedstocks. Ethanol produced from these sources is considered more energy efficient, yielding more net energy, than corn ethanol as it is currently produced. Proponents of Senate Bill 940 believe that there is a need to support initial feasibility studies of this emerging industry because of the high cost to build a commercial cellulosic ethanol plant. They also advocate that cellulosic ethanol production will overtake corn ethanol production in the next ten years.

Senate Bill 949 allows the State Treasurer, at the request of the Department of Energy, to issue lottery bonds, not to exceed \$2 million, to provide financial assistance and loans for feasibility studies to qualifying applicants. Proceeds of the lottery bonds issued will be deposited in the Cellulosic Ethanol Demonstration Plant Project Fund. Entities that apply for loans will pay an application fee, firms will be required to pay back loans, unless they were released from the obligation by the director of the Department of Energy.

5/8/2007 8:52:42 AM

This summary has not been adopted or officially endorsed by action of the committee.