Department of Legislative Services

Maryland General Assembly
2002 Session

FISCAL NOTE
Revised

House Joint Resolution 33 (Delegate Conway, *et al*.)
Economic Matters Education, Health, and Environmental Affairs

Ethanol Production in Maryland

This joint resolution urges the Department of Business and Economic Development (DBED), the Department of the Environment, and the Department of Agriculture (MDA) to provide technical assistance and financial support for the development of a business plan for an ethanol industry in Maryland. The resolution directs MDA, the Maryland Energy Administration, and DBED to report to the General Assembly by December 1, 2002 on the feasibility of developing an ethanol plant in Maryland, including examination of proposed operational structures, financing, and State incentives.

Fiscal Summary

State Effect: The agencies could prepare the requested report and provide assistance and support for the development of a business plan with existing resources.

Local Effect: Any resulting impact on State income tax revenues would affect local jurisdictions.

Small Business Effect: Potential minimal. To the extent that ethanol plants are constructed in Maryland, small-grain growers that are small businesses would benefit. Also, any ethanol producers that are small businesses would benefit. The impact cannot be determined at this time.

Analysis

Current Law: None applicable. The State does not provide incentives (e.g., an exemption from the State gasoline tax) specifically for ethanol or ethanol producers.

Background: According to the U.S. Energy Information Administration, ethanol derived from corn has been an increasingly important fuel additive over the past 15 years. The market for ethanol has grown from 430 million gallons in 1984 to 1.4 billion gallons in 1998. The fundamental role of fuel ethanol has been as a gasoline extender and octane enhancer. With the passage of the federal Clean Air Act Amendments of 1990, ethanol has also been used as an oxygenate to reduce certain types of vehicle emissions. The federal government provides a tax exemption for certain types of ethanol; the exemption will sunset in 2008.

Approximately 2.25 billion gallons of gasoline are used in the State annually. According to one estimate, an ethanol plant would cost $26 to $30 million to construct and $24 to $26 million annually to operate. The Department of Agriculture advises that any plant constructed in the State would likely focus on small grains such as barley, which is cheaper to purchase than corn.

State Fiscal Effect: The Department of Legislative Services advises that ethanol producers could be eligible for several State and federal incentives and business assistance programs that are currently available, such as loans through the Sunny Day fund. If the producer qualifies as a small business, it will be eligible for financial or technical assistance from the State and the Small Business Administration.

Additional Information

Prior Introductions: None.

Cross File: SJ 18 (Senator Middleton, *et al.*) – Education, Health, and Environmental Affairs.

Information Source(s): Department of the Environment, Department of Business and Economic Development, Department of Agriculture, Department of Legislative Services

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