

MINUTES OF THE SENATE AGRICULTURE

The meeting was called to order by Chairman Mark Taddiken at 8:30 a.m. on February 1, 2006 in Room 423-S of the Capitol.

All members were present.

Committee staff present:

Raney Gilliland, Kansas Legislative Research
Lisa Montgomery, Office of Revisor of Statutes
Judy Seitz, Committee Secretary

Conferees appearing before the Committee:

Proponents:

Brad Harrelson, Kansas Farm Bureau
Kenlon Johannes, Kansas Soybean Association
Jim Kaeb, Berwick Co-op Oil Company

Opponents:

Mark Tomb, Kansas League of Municipalities
Randall Allen, Kansas Association of Counties

Neutral:

Ethan Erickson, Kansas Department of Transportation

Others attending:

See attached list.

Chairman Taddiken acknowledged receipt of the Retail Food Inspection Transition and Baseline Report and the Report of the Kansas Dairy Marketing Advisory Board from the Kansas Department of Agriculture (KDA). Copies were distributed to each Committee member (Attachments 1 and 2). The chairman also noted that copies of the minutes of the Agriculture Committee for January 10, 11, 17, 18, 24 and 25. were distributed for Committee review. The minutes will be acted upon later in the meeting.

The Chairman also noted that this is the final day for this Committee to request bill drafts.

Chairman Taddiken requested the introduction of a bill which would reduce the motor fuel tax rate on E85 by seven cents per gallon. He made a motion to introduce a bill regarding the reduction in motor fuel tax, seconded by Senator Huelskamp. Motion passed.

Chairman Taddiken made a motion to introduce a resolution urging Congress and others to work toward a goal that by the year 2025, 25% of the energy consumed in the United States will be derived from agricultural sources. Motion was seconded by Senator Morris. Motion passed.

Hearings continued on **SB 388 - Establishing the Kansas qualified biodiesel fuel producer incentive fund.** Brad Harrelson spoke in support of **SB 388 (Attachment 3)**. The KFB feels that this would be a win-win, not only for Kansas agriculture and Kansas rural economies but also for the citizens of the state. They also believe that this would make Kansas competitive with other surrounding states.

Ethan Erickson spoke neutrally regarding **SB 388 (Attachment 4)**. Even though KDOT supports the use of biodiesel products and uses them in their operations; they believe that **SB 388** would result in a reduction of revenues to the State Highway Fund (SHF) and the Comprehensive Transportation Program (CTP).

Mr. Erickson stood for questions.

Chairman Taddiken said this bill came out of the Select Joint Committee on Energy and the concept of **SB 388** is that it looks at ways for Kansas to produce energy and add value to Kansas products which increases our fuel supply which creates jobs and economic growth and lessens the reliance on foreign oil.

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Mark Tomb appeared in opposition to **SB 388** (Attachment 5). The KLM has problems with the funding mechanism. They also believe it would result in a reduction of transfers to the State Highway Fund and the Special City and County Highway Fund (SCCHF). Even though the KLM is generally supportive of renewable sources of energy they believe it would reduce the demand transfer to local government.

Mr. Tomb stood for questions.

Randall Allen gave testimony opposing **SB 388** (Attachment 6). Mr. Allen stated that their objection to this legislation is that it uses moneys that have been dedicated to cities and counties and to the State Highway Fund to finance the biodiesel incentive fund.

Mr. Allen took questions from the Committee.

Chairman Taddiken requested clarification from staff regarding apportioning of the fund. Staff will review the statute regarding this subject and report to the Committee.

The chairman closed hearings on **SB 388**.

Chairman Taddiken opened the hearing on **SB 389--Concerning income taxation; relating to credits; biofuels mixing facility**.

Brad Harrelson appeared in support of **SB 389** (See Attachment 3).

Mr. Harrelson stood for questions.

Mr. Gilliland said that **SB 389** was introduced by this Committee at the request of the Selection Joint Committee on Energy. This bill provides for an income tax incentive for qualified biofuel mixing facilities located in Kansas placed in service on or after January 1, 2006.

Chairman Taddiken said that he wanted the Committee to hear all of the bills requested by the Select Joint Committee on Energy regarding biodiesel fuel before working any of them.

Chairman Taddiken asked Tom Palace a question regarding the blending of fuels and who gets the credit. Mr. Palace had not planned to testify on **SB 389**.

Kenlon Johannes spoke in support of **SB 389** (Attachment 7). Mr. Johannes stated that retailers are struggling to handle and blend biodiesel sales and production in Kansas but this bill would make the process easier. His handout listed the B100 biodiesel suppliers for Kansas retailers, the bulk off-road dyed biodiesel retailers 2% or higher blends available and the biodiesel on-road retailers at the pump 2% or higher blends available.

Mr. Johannes stood for questions.

Jim Kaeb, Berwick Co-op Oil Co., spoke in favor of **SB 389**.

Mr. Kaeb stood for questions.

Chairman Taddiken declared the hearing on **SB 389** closed.

Senator Lee requested the introduction of a bill regarding the amount fair boards are allowed to spend on repair of buildings. The limit is now \$3,000 and the amount would be increased to \$10,000. Senator Lee made a motion to introduce this bill, seconded by Senator Ostmeyer. Motion passed.

Motion by Senator Pine to approve the minutes of the Agriculture Committee for January 10, 11, 17, 18, 24 and 25. Motion seconded by Senator Lee. Motion carried.

The meeting adjourned at 9:30 a.m. The next meeting is February 7.

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