

SESSION OF 2011

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2122

As Amended by House Committee on Energy
and Utilities

Brief*

HB 2122 would make three changes to the Kansas Qualified Agricultural Ethyl Alcohol Producer Incentive Fund.

- It would extend the sunset date for the Fund from July 1, 2011 to July 1, 2018;
- It would reduce the maximum incentive rate for producers from \$0.075 per gallon to \$0.035 per gallon; and
- It would, on June 30 of each fiscal year, transfer any unencumbered balance in the Incentive Fund to the Motor Vehicle Fuel Tax Refund Fund.

Background

The current agricultural ethyl alcohol (ethanol) incentive provides an incentive payment of up to 7.5 cents per gallon for facilities that have new production of ethanol of at least five millions gallons in a year. No incentive is available for new or expanded production in excess of 15 million gallons per year. Incentive payments are limited to seven years per facility. Funding for the incentive comes from quarterly transfers of \$875,000 from motor fuel tax receipts to the Incentive Fund. If production exceeds the Fund balance, the annual distribution is prorated.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

Representative Rick Billinger provided testimony to the House Committee on Energy and Utilities in support of the introduced version of the bill, which extended the sunset date of the Fund for seven years. He described the economic benefits received in his district from an ethanol producer that previously received incentive payments from the Fund. Other testimony in support of extending the Fund to July 1, 2018 came from representatives of the Kansas Association of Ethanol Processors, Conestoga Energy Partners, Abengoa Bioenergy, and Kansas Ethanol. Written testimony in support of the introduced version of the bill was received from Petroleum Marketers and Convenience Store Association of Kansas, Kansas Cooperative Council, Kansas Farm Bureau, and Kansas Corn Growers Association and Kansas Grain Sorghum Producers Association.

There was no testimony in opposition to the bill in the House Energy and Utilities Committee.

The Committee made two changes to the bill. It reduced the incentive rate from \$0.075 per gallon to \$0.035 per gallon (the approximate prorated amount producers currently receive) and required that any unencumbered balance in the Incentive Fund at the end of the fiscal year be transferred to the the Motor Vehicle Fuel Tax Refund Fund, rather than carrying over in the Incentive Fund.

The fiscal note prepared by the Division of the Budget indicates the Governor's budget recommendations for FY 2012 include continuing the annual \$3.5 million transfer to the Fund to finance production incentives to Kansas qualified ethanol producers. If the incentive is not extended, payments would cease effective July 1, 2011.