



Renew Kansas Biofuels Association

To: Special Committee on Economic Recovery
From: Randy Stookey, Senior Vice President of Government Affairs
Date: September 17, 2020
RE: **Impact of COVID-19 Pandemic on Kansas Biofuels Industry**

Chairperson Lynn and members of the Committee, thank you for the opportunity to provide testimony today. These comments are submitted on behalf of Renew Kansas Biofuels Association (Renew Kansas), the trade association of the Kansas biofuels industry. Renew Kansas' mission is to protect and promote the biofuels industry, and demonstrate the positive impacts of biofuels on the Kansas economy.

The Kansas biofuels industry includes processors of ethanol, biodiesel and renewable diesel. Ethanol is a high quality component in vehicle fuel. Nearly every gallon of gasoline sold in the United States today contains at least 10% ethanol. Biodiesel is an advanced biofuel that is used as a pure fuel or as a blend with petrodiesel. Biodiesel blends of up to 20 percent may be used in almost any diesel engine with no engine modification.

Kansas' biofuels industry provides high quality jobs for plant workers in rural communities across our state, and generates nearly \$4 billion in annual economic activity. Each biofuel processing facility employs an average of 45 people (with an average salary of over \$59,000). It is estimated that the U.S. ethanol industry supports 71,000 direct jobs, 294,000 indirect jobs, and in 2018 generated \$46 billion to the U.S. gross domestic product.

Biofuel production directly benefits Kansas farmers by increasing the demand and local prices for corn, sorghum, and soybeans. Kansas produces more than 600 million gallons of ethanol each year, utilizing 27 percent of the state's corn crop and 30 percent of the state's grain sorghum. Similarly, Kansas annually produces 60 million gallons of biodiesel.

Effects of the Pandemic on the Kansas Biofuels Industry

Like other industries, Kansas' farmers and biofuel producers have felt the economic impact of the coronavirus emergency. Early on, the pandemic shut down normal activities and people began to work from home. In addition, state travel restrictions caused people to stop driving. This created a drastic decline in demand for vehicle fuels of all kinds, which drove down the price of biofuels and agricultural commodities. As a result, in Kansas, each of our 11 ethanol processing plants slowed down production, and two plants stopped production entirely for a time.

Nationally, for the period between March and June of this year, ethanol consumption declined more than 1.3 billion gallons, and ethanol processors purchased nearly 500 million fewer bushels of corn. The pandemic has led to an estimated \$3.4 billion in lost revenues for the U.S. ethanol industry, and it is projected that damages to the US ethanol industry could reach nearly \$9 billion between 2020 and 2021.

As stated by Geoff Cooper, President and CEO of Renewable Fuels Association, a national biofuels organization, "In late April, more than half of the ethanol industry's production capacity was shut down. The idling of dozens of ethanol plants reverberated throughout rural America and sent ripple impacts across the farm economy. We have

seen conditions improve since the low point in April, but ethanol production and consumption remain well below pre-COVID-19 levels.”

Options for Economic Recovery

The negative hit the biofuels industry suffered from the pandemic caused the industry to seek federal assistance. Some in the industry were able to receive assistance through the widely-used Paycheck Protection Program. Additional economic assistance specifically for the biofuels industry has not developed.

In reviewing possible options for economic recovery at the state level, Renew Kansas discussed the following possibilities with other stakeholders:

- **Unemployment Insurance Funding.** As employers, our member facilities pay into our state unemployment insurance (UI) program. At times like these, when national and global economic factors have forced our facilities to temporarily close, it is imperative that our state UI program is healthy. One recommendation might be to use a portion of our state’s federal CARES funding to safeguard the solvency our state UI program.
- **Economic Recovery Linked Deposit Loan Program.** This year, Renew Kansas joined other stakeholders in support of the Economic Recovery Linked Deposit Loan Program (House Bill 2619). This bill, passed by the legislature, would create a new lending option for businesses in response to the economic downturn caused by the COVID-19 pandemic. As proposed, this 10-year program would have made up to \$60 million available for low-interest loans to business. Similar programs in surrounding states have proven very successful. In addition, North Dakota adopted a low interest loan program specifically for the biofuels industry.
- **PPP Loans Exempt from State Income Tax.** Some Kansas facilities received federal Paycheck Protection Program loans to help pay for employee salaries and wages and other expenses while the facility was shut down or at reduced production levels. Passing legislation to exempt these loans from Kansas state income tax would help the industry through this time.
- **Statewide Consistency in Essential Business Functions.** The Governor’s initial emergency “safer in place” executive orders exempted certain essential services and industries for “critical infrastructure,” as identified by the Department of Homeland Security. This worked well, as there was one list of essential services statewide. However, allowing local (county) commissions and health officers the ability to publish their own lists of essential services created an untenable environment to conduct business. Legislation should ensure that such essential services are defined once, at the state level.
- **Avoid Tax Increases.** When the legislature reconvenes in January 2021, it is likely to find the state in a difficult financial position. As was discussed previously, our industry is struggling greatly to just break even this year, and cannot afford additional costs. As much as it is possible, we implore the legislature to find ways to balance the state budget through reductions in expenditures rather than by increased taxes.

Thank you for allowing us the opportunity to testify today.

Randy Stookey
Senior Vice President of Government Affairs
816 SW Tyler, Topeka, Kansas
785.220.5211 | Randy@Kansasag.org