

MINUTES OF THE SENATE AGRICULTURE COMMITTEE.

The meeting was called to order by Chairperson Derek Schmidt at 8:30 a.m. on March 7, 2001 in Room 423-S of the Capitol.

All members were present except: Senator Tyson

Committee staff present: Raney Gilliland, Legislative Research Department  
Jill Wolters, Revisor of Statutes  
Betty Bomar, Secretary

Conferees appearing before the committee:  
Jamie Clover Adams, Secretary, Department of Agriculture  
Greg Krissek, Director of Operations, Kansas Corn Growers Association and  
the Kansas Grain Sorghum Producers Association  
Bob Haley, Director of the Division of Administration, Kansas Department of  
Transportation  
Leslie J. Kaufman, Public Policy Division, Kansas Farm Bureau  
Doug Wareham, Kansas Grain and Feed Association

Others attending: See attached list

**HB 2011 - Incentives for production of ethanol from agricultural products; amounts; removal of cap; expiration date**

Raney Gilliland, Analyst, Department of Legislative Research, explained that **HB 2011** is a product of the Interim Committee on Utilities, and modifies the incentives for the production of ethyl alcohol. Specifically, the bill provides for an incentive of \$.05 for each gallon of agricultural ethyl alcohol sold by current producers to an alcohol blender with an annual cap of \$2 million. After three years, this incentive would end and any money left would be transferred to meet the needs of the new production incentive which increases the incentive on expanded or new production to \$.075 for seven years. The incentive applies to facilities which have new production of at least 5,000,000 gallons. No incentive would be available for new or expanded production over 15,000,000 gallons. The new incentive account would be limited to \$3.5 million raising the dollar amount from the current \$2.5 million, and then the bill distributes \$3.5 million among current producers and new production.

Jamie Clover Adams, Secretary, Kansas Department of Agriculture (KDA), testified in support of **HB 2011**, stating that the Governor announced his support for renewal of the ethanol production tax credit last August and has funded it in his FY 2002 budget. The Administration has not taken a position on increased funding for the incentive fund recently due to the unclear picture of actual state revenues compared to budget projections which has materialized during the last few months.

KDA supports value-added products for Kansas grain producers. **HB 2011** supports the Ethanol Incentive Program to the extent possible under present budget realities and the cap at \$3.5 million annually. (Attachment 1)

Greg Krissek, Director of Operations, Kansas Corn Growers Association and the Kansas Grain Sorghum Producers Association, testified in support of **HB 2011**, stating the legislation is compromise legislation between farm organization, existing ethanol producers, Kansas Department of Transportation and the Kansas Department of Agriculture. All amendments were adopted by the House Committee on Agriculture and subsequently by the full House. The compromise amendments include a dollar cap for the amount of funds the state would need to allocate to the program in any fiscal year, the mix of incentives between current, new or expanded ethanol production, and the minimum and maximum amounts of new capacity which qualify for participation in the program. **HB 2011** incorporates all the compromise amendments.

## CONTINUATION SHEET

Mr. Krissek stated **HB 2011** provides Kansas the opportunity to participate in a domestically renewable and environmentally friendly fuel, ethanol, which provides new markets for agricultural products. (Attachment 2) Mr. Krissek further distributed a magazine *Ethanol Fact Book* to individual members of the Committee.

Bob Haley, Director of the Division of Administration, Kansas Department of Transportation (KDOT), testified in support of **HB 2011**, stating KDOT supports the development in Kansas of the production of renewable ethanol and the extension of the current Kansas Qualified Ethyl Alcohol Producers Incentive Program which is scheduled to sunset on July 1, 2001. **HB 2011** amends the Kansas Qualified Ethyl Alcohol Producers Incentive Program by modifying the current incentive payment program to a maximum of \$3.5 million per year and extends the program to July 1, 2011. The current program provides \$2.5 million per year from motor fuel tax receipts and is divided among the Kansas qualified producers on the basis of qualified production, limited to a maximum of \$0.20 per gallon. **HB 2011** increases the cap to \$3.5 million and modifies the distribution formula. (Attachment 3)

Mr. Haley stated KDOT is concerned about the potential the program may have on revenues available for the Comprehensive Transportation Program. Presently, 60% of the motor vehicle tax assessed for the Comprehensive Transportation Program is used for the Producers Incentive Program, and 40% from special funds for cities and counties.

Leslie Kaufman, Kansas Farm Bureau, testified in support of **HB 2011**, stating the language contained in the present bill is a compromise approach accepted by representatives of the ethanol industry, the Kansas Corn Growers Association, the Grain Sorghum Producers Association and the Kansas Farm Bureau. Additionally, **HB 2011** stays within the budgetary parameters KDOT indicates are available for the program.

Converting Kansas grown grain into renewable fuels is extremely important during the time of low grain prices. The use of crop-based fuels can reduce U.S. reliance on foreign oil, expand grain markets, improve air quality and protect water quality. (Attachment 4)

Doug Wareham, Kansas Grain and Feed Association, submitted a written statement in support of **HB 2011**. (Attachment 5)

Bob Totten, Kansas Contractors Association, stated the Contractors were in support of **HB 2011**, however, were concerned regarding the draw down from the Kansas Comprehensive Transportation Fund which is funded only to 2008. The Ethyl Alcohol Producers Incentive Fund is extended to July 1, 2011.

There being no additional conferees to be heard, the hearing was concluded.

### **HB 2101 Creating the plant pest emergency response fund**

**Senator Umbarger moved, seconded by Senator Lee that HB 2101 be amended on Page 1, at Line 30, by striking the word “shall” and inserting the word “may”. The voice vote was in favor of the motion.**

**Senator Morris moved, seconded by Senator Umbarger, that HB 2101 be recommended favorably for passage as amended. The voice vote was in favor of the motion.**

### **HB 2011 - Incentives for production of ethanol from agricultural products; amounts; removal of cap; expiration date.**

**Senator Lee moved, seconded by Senator Morris that HB 2011 be recommended favorably for passage. The voice vote was in favor of the motion.**

The meeting was adjourned at 9:10 a.m.

The next meeting is scheduled for March 13, 2001.