

MINUTES OF THE SENATE AGRICULTURE COMMITTEE

The meeting was called to order by Chairman Mark Taddiken at 8:30 a.m. on March 15, 2011, in Room 159-S of the Capitol.

All members were present.

Committee staff present:

Tamera Lawrence, Office of the Revisor of Statutes
Heather O'Hara, Kansas Legislative Research Department
Judy Seitz, Committee Assistant

Conferees appearing before the Committee:

Leslie Kaufman, President/CEO Kansas Cooperative Council (KCC) appearing on behalf of the KCC and the Kansas Agribusiness Retailers Association (KARA)
Representative Rick Billinger, 121st District
Greg Krissek, Director of Government Affairs, ICM
Mike Chisam, General Manager, Kansas Ethanol and Chairman, Kansas Association of Ethanol Producers (KAEP)
Chris Standlee, Executive Vice President, Abengo Bioenergy U.S. Holding, Inc.
Tom Willis, Chief Executive Officer, Conestoga Energy Partners
Jere White, Executive Director, Kansas Grain Sorghum Producers Association and Kansas Corn Growers Association

Others attending:

See attached list.

Chairman Taddiken noted the Committee had received minutes for March 8 and 9 which will be acted on later.

The hearing on **Sub for HB 2271--Amending provisions relating to plant pest inspection and regulation** was continued from the March 9 meeting.

Leslie Kaufman, President/CEO, Kansas Cooperative Council (KCC), appeared on behalf of the KCC and the Kansas Agribusiness Retailers Association (KARA), presented testimony in support of **Sub for HB 2271 (Attachment 1)**. She said the associations have been supportive of the clean up and clarification language in this bill. Ms. Kaufman recommended the addition of the word "reasonable" on page 4, line 37 prior to the word "expenses" so that the Kansas Department of Agriculture Secretary is authorized to assess against such owner any reasonable expense.

The hearing on **Sub for HB 2271** was closed.

The hearing on **HB 2122--Agricultural ethyl alcohol producer incentive fund; extension** was opened.

Representative Rick Billinger, 121st District, spoke in support of **HB 2122 (Attachment 2)**. He stated that Western Plains Energy (WPE) benefited from the Kansas Qualified Agricultural Ethyl Alcohol Producer Incentive Fund (KQAEAPIF) and has more than returned this investment from the state back in the form of income taxes, sales taxes, fuel taxes and property taxes.

Greg Krissek, Director of Government Affairs, ICM, testified in support of **HB 2122 (Attachment 3)**. He said this bill would extend the ethanol incentive fund and allow the plants to finish their 7 years participation in the fund. He noted the program is administered by the Kansas Department of Revenue (KDOR) and the money comes from the motor fuels tax, not state general funds.

Mike Chisam, General Manager, Kansas Ethanol and Chairman, Kansas Association of Ethanol Processors (KAEP), offered testimony in support of **HB 2122 (Attachment 4)**. He stated that this bill would allow the state to fulfill their commitment to the ethanol plants that did come to Kansas and have provided a significant economic boost to Kansas.

Chris Standlee, Executive Vice President, Abengoa, presented testimony in support of **HB 2122**

CONTINUATION SHEET

Minutes of the Senate Agriculture Committee at 8:30 a.m. on March 15, 2011, in Room 159-S of the Capitol.

(Attachment 5). He said the ethanol incentive fund is an important incentive for the development of cellulosic ethanol within the state and is a significant factor in the financing of new facilities.

Tom Willis, Chief Executive Officer, Conestoga Energy Partners, spoke in support of **HB 2122** (Attachment 6). He mentioned the economic benefits of the plants in Garden City and Liberal. Mr. Willis said that ethanol is a great commodity for the country because ethanol is the only viable and available fuel that can be substituted for gasoline.

Jere White, Executive Director, Kansas Corn Growers Association and Kansas Grain Sorghum Producers Association testified in support of **HB 2122** (Attachment 7). He stated that the ethanol incentive fund has been a success and encourages the continuation of the incentive program. Mr. White also said that the extension of the incentive fund would apply to developing projects in Pratt and Hugoton.

Written testimony in support of **HB 2122** was provided by Tom Palace, Executive Director, Petroleum Marketers and Convenience Store Association of Kansas (PMCA of Kansas) (Attachment 8).

Brad Harrelson, State Policy Director – Governmental Relations, Kansas Farm Bureau, submitted written testimony in support of **HB 2122** (Attachment 9).

Tamera Lawrence, Office of the Revisor of Statutes, reviewed **HB 2122**. She said that on June 30 of each fiscal year any unencumbered balance in the Fund would be transferred to the Motor Vehicle Fuel Tax Refund Fund. This bill would also extend the sunset date for the Fund from July 1, 2011 to July 1, 2018. Ms. Lawrence also said that this bill would also reduce the maximum incentive rate for producers from \$0.75 per gallon to \$0.035 per gallon.

Mary Jane Stankiewicz, COO and Senior Vice President, Kansas Agribusiness Retailers Association, answered a question from a Committee Member.

Mike Beam, Senior Vice President, Kansas Livestock Association (KLA), testified in opposition to **HB 2122** (Attachment 10). He said that ten years ago it may have been appropriate to offer a state incentive to help stimulate ethanol production expansion in Kansas, but the KLA contends it is no longer necessary to continue a state ethanol production incentive because the industry has grown to the point that purchases approximately 20% of the state's feed grain production and competes aggressively with other users of corn and grain sorghum.

Mr. Beam took questions from the Committee.

The hearing was closed on **HB 2122**.

The following corrections were made to the March 8 minutes, first paragraph, page two, change “Heim” to “Hein”; correction to March 9 minutes, delete the “e” from “125th” on page one, paragraph five; and in the third paragraph on page one, delete “recreational vehicles” and add “non commercial aviation.” Senator Francisco moved approval of the minutes of March 8 and 9 with the above corrections. Senator Schmidt seconded the motion. Motion passed.

Senator King made a motion to amend **HB 2122** by allowing the incentive to continue for existing plants until the end of their seven (7) year period; after July 1, 2012 any cellulosic based plant that comes on line would receive the incentive for seven (7) years; if the plant is grain based, it would not qualify. Senator Abrams seconded the motion. Motion carried.

Senator Bruce moved to amend **HB 2122** by placing the contents of **SB 147—Interstate water litigation fund** into **HB 2122**; seconded by Senator Ostmeyer. There was no vote on this amendment.

Senator Bruce then offered a substitute motion to pass **HB 2122** out favorably as amended; seconded by Senator King. Motion carried.

The meeting was adjourned at 9:31 a.m.