

MINUTES OF THE SENATE AGRICULTURE COMMITTEE

The meeting was called to order by Chairman Mark Taddiken at 8:30 A.M. on February 16, 2005 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 Statues  
Jacqui Jones, Committee Secretary

Conferees appearing before the committee:

**Proponents:**

Adrian Polansky, Secretary, Kansas Department of Agriculture  
Jesse McCurry, Agriculture Marketing Division, Kansas Department of Commerce  
John Neufeld, US Energy Partners  
Ron Lamberty, American Coalition for Ethanol  
Greg Kissek, United BioEnergy  
Brad Harrelson, Kansas Farm Bureau  
Jere White, Kansas Corn Growers Association/Kansas Grain Sorghum Producers Association

Written testimony was provided to the Committee by:

Lee Allison, Chair, Kansas Energy Council  
Leslie Kaufman, Kansas Cooperative Council

**Opponents:**

Curtis Wright, Vice President Operations, Taylor Oil, Inc.

Written testimony was provided to the Committee by:

Ed Reitz, President, Fleming Corporation of Kansas

**Others attending:**

See attached list.

Chairman Taddiken asked that the hearing be opened on **SB-56 - Elimination of motor vehicle fuel retail pump labeling requirement regarding ethyl alcohol or other alcohol.**

Secretary Adrian Polansky, KDA was the first to give his testimony in support of **SB-56**. (See Attachment #1).

As well as Secretary of KDA, he is a member of the Kansas Energy Council, a group that supports removal of E10 labeling.

Secretary Polansky remarked that, as a farmer and agri-businessman, he goes out of his way to use ethanol in his travels on the state's highways. Although he recognizes that many Kansans do not believe in the homegrown product, he does.

While traveling on state business he seeks to purchase ethanol whenever possible at the direction of the Governor, who has directed all state employees to do so.

Jesse McCurry, Ag Marketing Division, KDOC gave his testimony (see attachment #2) remarking that, without the ethanol industry, consumers would be forced to pay as much as 15% more at the pump for gasoline. He noted that producers are excellent re-payers of loans.

John Neufeld, General Manager, US Energy Partners was the next to testify. (See attachment #3). One of Mr. Neufeld's remarks was that the positive attributes of ethanol are supported by the fact that it has a positive net energy balance of 67%.

Ron Lamberty, Vice-president/Market Development Director, American Coalition for Ethanol testified that all US built cars since 1982 have ethanol compatible components and that all cars now have warranties for ethanol usage. (see attachment #4).

Greg Kissek, Director of Marketing and Government Affairs, United Bio Energy testified next. He remarked that it is a long-established policy in Kansas to support the development and use of ethanol fuels derived from agricultural products. The current labeling regulation impedes the accomplishment of this policy. Present day engine and fuel technology has made the labeling requirement obsolete. Not all gasoline stations will carry ethanol blends, but it is believed that those who do should not be penalized with an extra regulatory burden (see attachment #5).

Brad Harrelson, State Policy Director - Governmental Relations, Kansas Farm Bureau testified that ethanol demand continues to surge. Production records are increasing yearly. He remarked that consumption of ethanol reduces our dependence on foreign oil, and enhances market demand for corn and other grains. This is good for Kansas producers and the rural economy.

Mr. Harrelson said that the original intent of the labeling requirement at the pump has served its original intent and is no longer necessary. He noted that ethanol is found in more than 30% of fuel sold nationwide. Removal of the mandatory ethanol labeling would ease consumer confusion and stimulate an already enthusiastic demand (see attachment #6).

Jere White, Executive Director, Kansas Corn Growers and Kansas Grain Sorghum Producers Association was next to testify. He remarked that eleven states have eliminated the mandatory ethanol labeling requirement at the pump, believing it to be a deterrent to the sale of the product (see attachment #7).

Written testimony was received from Lee Allison, Chair, Kansas Energy Council stating that removing the mandatory requirement yet still allowing marketers to voluntarily display the label is likely to lead to increased use of ethanol which is an environmentally friendly, Kansas-produced fuel (see attachment #8).

Written testimony was also submitted by Leslie Kaufman, Governmental Relations Director, Kansas Cooperative Council (KCC). Ms. Kaufman's testimony reflected that the KCC promotes the use of renewable fuel sources such as ethanol. As such, it supports **SB-56** which would allow the removal of the mandatory labeling requirement at the pump (see attachment #9).

Written testimony was submitted in support of **SB-56** by Mary Jane Stankiewicz representing eighteen members of the Kansas Agricultural Alliance. The Alliance believes that retailers have a right to choose whether to label ethanol at the pump or not. Because there is no longer a reason or need to label ethanol at the pump, the mandatory requirement should be eliminated. This would allow the retailer to make the decision as to how he wants to market the fuel, as containing ethanol. (see attachment #10).

Curtis Wright, Vice President Operations, Taylor Oil, Inc., Wellsville, KS. , in his testimony, opposed the passage of **SB-56**. Mr. Wright stated that, by removing the current mandatory product label at the pump, it will be more difficult for the consumer to locate ethanol either for or against the purchase thereof. Better public education regarding ethanol is required (see attachment #11).

Written testimony was submitted by Ed Roitz, President of Fleming Corporation of Kansas in Pittsburg, KS. He wrote an overview of gasohol since its inception. His testimony covered product quality, tax policy, public enthusiasm and patriotism in regard to ethanol. His feeling was that Kansans should be made aware of what is in the product that they purchase and mandatory labeling at the pump fulfills this requirement. He requested that **SB-56** not be passed. (See attachment #12).

Several questions were answered by the conferees to the satisfaction of the Committee members.

Hearings on **SB-56** were closed.

Chairman Taddiken then called for testimony on **SB-234 - Requiring state rented or leased vehicles to use ethanol.**

Senator Tim Huelskamp, who is a member of the Senate Agriculture Committee, testified in support of this bill, explaining to the Committee that the bill was designed to require the State continue to lead by example in the use of renewable fuels. More information in this regard was supplied by the Legislative Research Department and is included with his testimony regarding ethanol purchases by select state Agencies. (See attachment #13).

Senator Huelskamp then stood for questions.

The hearing on **SB-234** was closed.

Chairman Taddiken called for action on **SB-234.**

Senator Schmidt moved to amend **SB-234** by inserting the following paragraph: *“Any motor vehicle rental contract entered into by the state for the rent or lease of vehicles or renewed after the effective date of this act shall require that the lessor provide that all bulk motor-vehicle fuels purchased by lessor or on behalf of the lessor for use in vehicles leased to the state of Kansas, or any agency thereof, shall be motor-vehicle fuel blends containing at least 10% ethanol”*. The motion was seconded by Senator Huelskamp and the motion carried.

Senator Huelskamp then moved that **SB-234** be passed favorably as amended, seconded by Senator Pine. The motion passed favorably.

At this time Chairman Taddiken asked the Committee for final action on **SB-56.** Senator Ostmeyer moved, and Senator Pine seconded that the Committee move to pass **SB-56.** There was no further discussion. The motion passed favorably.

The meeting adjourned at 9:30 p.m.

The next meeting is scheduled for February 22, 2005.