

MINUTES OF THE SENATE AGRICULTURE

The meeting was called to order by Chairman Mark Taddiken at 8:30 a.m. on February 14, 2007 in Room 423-S of the Capitol.

All members were present except:
Derek Schmidt- excused

Committee staff present:
Raney Gilliland, Kansas Legislative Research
Art Griggs, Office of Revisor of Statutes
Judy Seitz, Committee Assistant

Conferees appearing before the Committee:
Proponents:

Tim Barker, Executive Vice President, Orion Ethanol
Duane Simpson, Vice President of Governmental Affairs, Kansas Association of Ethanol Processors (KAEP)

Opponents:

Ken Peterson, Executive Director, Kansas Petroleum Council
Tom Palace, Executive Director, Petroleum Marketers and Convenience Store Association of Kansas (PMCA)
Brad Harrelson, State Policy Director - Governmental Relations, Kansas Farm Bureau (KFB)

Neutral:

Jere White, Executive Director, Kansas Corn Growers Association/Kansas Grain Sorghum Producers Association

Others attending:
See attached list.

The Chairman said that copies of the Fiscal Note on **SB 262 - Motor vehicle purchases by state agencies; E85 fuels**, have been distributed to the Committee members. Hearings were held on **SB 262** yesterday, February 13.

He also noted that the Committee has copies of the minutes of February 7 which will be acted upon later in the meeting.

Chairman Taddiken opened the hearing on **SB 303 - Kansas fuel ethanol act.**

Raney Gilliland, Legislative Research, reviewed **SB 303**. This bill would enact the Kansas fuel ethanol act. The second section of the bill defines terms used in the bill. Section 3, page 2, states that on or after January 1, 2009 all gasoline sold for retail in the state would be fuel ethanol blended gasoline and the fuel would be obtained from qualified Kansas producers. There is a requirement in Section 4 that all fuel retailers, wholesalers, distributors and marketers be allowed to purchase ethanol from any terminal, position holder, fuel ethanol producer, fuel ethanol wholesaler or supplier. Section 5 states that upon request of the department of agriculture or the department of revenue certain individuals are required to provide documentation regarding sales and price of ethanol. There is also a list of exemptions to this act. Section 6 lists the fines for violating this provision.

Mr. Gilliland took questions from the Committee.

Jarrold Forbes, Legislative Counsel, Orion Ethanol, introduced Tim Barker, Executive Vice President, Orion Ethanol. Mr. Barker presented testimony in favor of **SB 303 (Attachment 1)**. He said that although there is political support for ethanol incentives the business climate in Kansas is lagging. Mr. Barker said that it is necessary to communicate to the investment community that the protection of their capital is a top priority.

CONTINUATION SHEET

MINUTES OF THE Senate Agriculture at 8:30 a.m. on February 14, 2007 in Room 423-S of the Capitol.

He also said supporting **SB 303** and legislation similar to that of other states to further the goal of stimulating economic development in Kansas, reducing dependence on foreign ethanol and helping reduce harmful emissions.

Mr. Barker stood for questions.

Jere White, Executive Director, Kansas Corn Growers Association/Kansas Grain Sorghum Producers Association, presented neutral testimony on **SB 303** (Attachment 2). He expressed some concerns with the requirement that ethanol be obtained from a Kansas qualified ethanol producer because it may not be feasible at all times. Another concern is the rationale for requiring that all terminals offer for sale gasoline of premium grade or at least 91 octane. Mr. White said the Kansas Corn Growers Association likes the direction taken in Section 4 that would preclude the prohibition of a retailer from selling ethanol blended fuels due to franchise or other restrictions.

Chairman Taddiken requested questions be held for conferees until all conferees had testified.

Duane Simpson, Vice President of Government Affairs, Kansas Association of Ethanol Processors (KAEP), offered statements in support of **SB 303** (Attachment 3). He said that KAEP has not endorsed **SB 303** or an E-10 mandate. Another bill, **SB 327** is being heard in Senate Assessment and Taxation that attempts to do what **SB 303** does through financial incentives rather than through a state mandate. He also said that **SB 303** does not cost the state any money while **SB 327** has a fiscal note of \$1.5 to \$5 million.

Mr. Simpson offered to stand for questions at the appropriate time.

Ken Peterson, Director, Kansas Petroleum Council, spoke in opposition to **SB 303** (Attachment 4). He said that states should not mandate the sale of ethanol and it could interfere with a reliable supply of fuels during times of disruptions which would lead to higher consumer prices.

Tom Palace, Executive Director, Petroleum Marketers and Convenience Store Association of Kansas (PMCA), testified in opposition of **SB 303** (Attachment 5). He said that although PMCA favors the expanded use of ethanol they do not support mandating ethanol. He further stated that if ethanol is priced right (lower than regular gasoline) consumers would buy ethanol. Mr. Palace said the PMCA encourages the use of renewable fuels through increased consumer awareness, tax credit incentives for the retailers to sell ethanol and producer incentives.

Brad Harrelson, State Policy Director-Governmental Relations, Kansas Farm Bureau, spoke in opposition to **SB 303** (Attachment 6). He said that the KFB remains consistent and committed to supporting good public policy that encourages bio-fuel consumption, but have yet to conclude that a mandate is the best path for the state or fuel consumers at this time. Mr. Harrelson stated that the KFB would be more supportive of incentives than mandates.

Conferees took questions from the Committee.

Hearing on **SB 303** was concluded.

The Committee requested information from conferees regarding wording on Section 4 that specifically address the franchise question.

Senator Pine moved the approval of the minutes of February 7, seconded by Senator Ostmeyer. Motion carried to approve the minutes.

Meeting was adjourned at 9:30 a.m..