

MINUTES OF THE HOUSE COMMITTEE ON AGRICULTURE.

The meeting was called to order by Chairman Dan Johnson at 3:30 p.m. on February 7, 2001, in Room 423-S of the Capitol.

All members were present except:      Representative Flora - excused  
   Representative Light - absent

Committee staff present:      Raney Gilliland, Legislative Research Department  
   Gordon Self, Revisor of Statutes Office  
   Kay Scarlett, Committee Secretary

Conferees appearing before the committee:

E. Dean Carlson, Secretary, Kansas Department of Transportation  
Jere White, Ex. Director, Kansas Corn Growers Assn./Kansas Grain Sorghum Producers Assn.  
Representative Rocky Nichols  
Jill Zimmerman, Anderson County Extension Agent  
Dale Ladd, McPherson County Extension Agent  
Gary Hobbie, Russell City Manager  
Dave VanderGriend, President and CEO, ICM, Colwich  
Bill Pracht, Eastern Kansas Agri Energy, Westphalia  
Jeff Torluemke, Senior VP, State Bank of Hoxie, Heartland Energy, Hoxie  
Scott Whitefoot, NESIKA Energy, Republic County  
Dave Dykstra, Vice President, Marketing, High Plains Corporation  
Greg Krissek, Director of Operations, Kansas Corn Growers Association  
Bill Fuller, Associate Director, Public Policy Division, Kansas Farm Bureau  
Doug Wareham, Vice President, Government Affairs, Kansas Grain and Feed Assn. (Written only)  
Kerri Ebert, President, Kansas Agricultural Alliance (Written only)

Others attending:      See attached list

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

Chairman Johnson opened the hearing on **HB 2011**. Raney Gilliland, Legislative Research Department, explained that this bill would extend the Kansas Qualified Agricultural Ethyl Alcohol Producers Incentive Fund for agricultural ethyl alcohol production until July 1, 2011. In addition, the bill proposes to remove the cap on production and provide added incentives for increased or new agricultural ethyl alcohol production in Kansas.

E. Dean Carlson, Secretary, Kansas Department of Transportation, expressed concern about the potential impact on revenues available for the Comprehensive Transportation Program if the cap was eliminated and the incentive for new or expanded agricultural ethyl alcohol production as proposed in **HB 2011** was to pass. He encouraged the committee to not expand the incentive program beyond extending the sunset provision. (Attachment 1)

Jere White, Executive Director, Kansas Corn Growers Association and Kansas Grain Sorghum Producers Association, appeared in support of **HB 2011**. He discussed the Kansas Ethanol Plant Feasibility Study funded by the Kansas Corn Commission, Kansas Grain Sorghum Commission, and Kansas Department of Commerce & Housing and the potential for ethanol production in Kansas and its impact on the state's economy. He provided a copy of the report, "How Much Energy Does It Take to Make a Gallon of Ethanol," by David Lorenz and David Morris and a copy of a letter from Jim Wells, United States General Accounting Office, concerning federal tax incentives that benefit the petroleum and ethanol industries. (Attachment 2)

## CONTINUATION SHEET

Representative Rocky Nichols testified in support of **HB 2011** and outlined seven reasons he believes ethanol production and promotion makes sense for Kansas: adding value to Kansas grains; job creation and economic development; diversification of our motor fuels portfolio; reducing our State's and Nation's reliance on foreign oil; lower petroleum gas prices; positive trade benefits; and positive environmental and health benefits. (Attachment 3)

Jill Zimmerman, Anderson County Extension Agent, discussed her involvement with the Anderson County Economic Development Committee and creation of the 47-member producer alliance known as Eastern Kansas Agri Energy and their interest in pursuing an ethanol production facility in eastern Kansas. (Attachment 4)

Dale Ladd, McPherson County Extension Agent, reported that the McPherson Chamber of Commerce, several area cooperatives, and a group of central Kansas feedlots have been working together intensively for the past five months to study the economic feasibility of converting grain sorghum into a renewable fuel, at the same time providing a very high quality concentrate product to cattle feeders. (Attachment 5)

Gary Hobbie, Russell City Manager, testified in support of **HB 2011**. He discussed the City of Russell's partnership with private industry for the city to produce electricity with their new generation units, to be used by the citizens of Russell; then to reuse the waste heat to fire steam boilers to be used in the ethanol distillation process; then to reuse the waste heat again in the drying of the distillers grains to be shipped to area feedlots to be used as supplemental feed grains. He also reported on a pilot project to capture the CO<sub>2</sub> from the ethanol plant to be used in an oil sequester project to increase the amount of oil produced by wells located south of Russell. (Attachment 6)

Dave VanderGriend, President and CEO of ICM, Colwich, the company designing and building the new ethanol plant in Russell, appeared in support of **HB 2011** and discussed the technical aspects of building new ethanol production facilities.

Bill Pracht, Eastern Kansas Agri Energy, Westphalia, reported on the 47-member producer alliance known as Eastern Kansas Agri Energy and their efforts in investigating the feasibility of building an ethanol plant in Anderson County. He noted that an ethanol plant would add about 30 new jobs, provide a source of livestock feed to area producers, and if successful, provide a better return than investing in farm land. (Attachment 7)

Jeff Torluemke, Senior Vice President, State Bank of Hoxie, and Heartland Energy, Hoxie, appeared in support of **HB 2011** to extend and expand the ethanol production incentive.

Scott Whitefoot, NESIKA Energy, Republic County, testified in support of **HB 2011** for added incentives to operate and build new ethanol plants in Kansas.

Dave Dykstra, Vice President, Marketing, High Plains Corporation, discussed the impact the Agricultural Ethyl Alcohol Producers Incentive has had on their operations and the economic benefits ethanol production has had on the state. He reported that with this incentive, their company has grown considerably over the past 21 years and is now the nation's seventh largest producer of fuel ethanol. (Attachment 8)

Greg Krissek, Director of Operations, Kansas Corn Growers Association, testified in support of **HB 2011**. He said the economic benefits for employment, suppliers, agriculture, and associated industries that accrue to communities goes far beyond the level of the incentive payments received. (Attachment 9)

Bill Fuller, Associate Director, Public Policy Division, Kansas Farm Bureau, appeared in support of **HB 2011**. He reported that Kansas Farm Bureau believes promoting ethanol production and use in Kansas will have positive impacts on agriculture producers, the economy, and the environment. (Attachment 10)

Doug Wareham, Vice President, Government Affairs, Kansas Grain and Feed Association, provided written testimony in support of **HB 2011**. (Attachment 11)

Kerri Ebert, President of the Kansas Agricultural Alliance, representing 21 agricultural associations, submitted written

testimony in support of **HB 2011**. (Attachment 12)

CONTINUATION SHEET

Copies of the 2000 Fact Book on the *United States of America Fuel Ethanol Program* published by the Clean Fuels Development Coalition were distributed compliments of the Kansas Ethanol Producers. (Attachment13)

There being no other conferees, the Chairman closed the hearing on **HB 2011**.

Representative Joann Freeborn moved to withdraw her request for a committee bill to establish an AgrAbility Program. There being no objections, the motion carried.

**Action on HB 2101 - Creating the plant pest emergency response fund.**

Representative Dahl moved to pass **HB 2101** favorably. The motion was seconded by Representative Hayzlett. Committee discussion ensued. Representative Schwartz offered a substitute motion to amend **HB 2101** by placing a \$15,000 cap on the fund, to trigger back in at \$5,000. Seconded by Representative Freeborn, the motion carried. **HB 2101** passed as amended.

The meeting adjourned at 5:15 p.m. The next meeting is scheduled for February 12, 2001.