

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chair Melvin Neufeld at 12:30 p.m. on March 26, 2003, in Room 514-S of the Capitol.

All members were present except: Representative Bill McCreary - excused

Committee staff present: Becky Krahl, Legislative Research Department
Amy Deckard, Legislative Research Department
Paul West, Legislative Research Department
J. G. Scott, Legislative Research Department
Jim Wilson, Revisor of Statutes
Mike Corrigan, Revisor of Statutes
Nikki Feuerborn, Administrative Analyst
Shirley Jepson, Committee Secretary

Conferees appearing before the committee: Eugene Swearingen, Chairman of the Board, Kansas Soybean Association
Kenlon Johnnes, CEO, Kansas Soybean Association
Greg Krissek, Kansas Corn Growers Association

Others attending: See attached

- Attachment 1 Recommendation of Education Budget Committee on **HB 2058**
- Attachment 2 Balloon of Proposed Amendments to **HB 2058**
- Attachment 3 Recommendation of Education Budget Committee on **HB 2345**
- Attachment 4 Representative Holland's letter in support of **HB 2345**
- Attachment 5 Corrected Fiscal Note on **SB 191**
- Attachment 6 Written testimony on **SB 191** from Eugene Swearingen
- Attachment 7 Written testimony on **SB 191** from Kansas Farm Bureau
- Attachment 8 Testimony on **SB 191** from Greg Krissek, Kansas Corn Growers Assoc

Discussion and action on HB 2058--State aid for school capital improvements ceases for bonds issued after July 1, 2003; phase out payments as bonds retire

Representative Shultz presented an explanation of the Education Budget Committee's report on **HB 2058**, concerning school districts; relating to capital improvements; state aid and amended by the Budget Committee: (1) three-year moratorium on capital improvement state aid; and (2) exception to the moratorium in the case of school districts that have been reorganized and consolidated (Attachment 1).

Representative Shultz moved to accept the Education Budget Committee's report on **HB 2058** including the proposed amendments (Attachment 2). The motion was seconded by Representative Huebert.

Representative Nichols made a substitute motion to also amend **HB 2058** by changing "bond issuance" to "bond election" on Page 3. The motion was seconded by Representative Gatewood. Motion carried.

Representative Shultz, renewed his motion to accept the report of the Education Budget Committee as amended on **HB 2058**. Motion carried.

Representative Shultz moved to remove the entire language from **SB 250**, which has been addressed in a different Senate bill, and insert the amended language of **HB 2058** into **SB 250** and to report the bill as **House Substitute for SB 250** and authorize the Revisor of Statutes to make any technical changes required. The motion was seconded by Representative Huebert. Motion carried.

Representative McLeland moved to pass **House Sub SB 250** favorably as amended. The motion was seconded by Representative Huebert. Motion carried.

Discussion and action on HB 2345--State aid for school capital improvements ceases for bonds issued after July 1, 2003, through June 30, 2006, for athletic facilities.

Representative Shultz presented an explanation of the Education Budget Committee's recommendations on

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS at 9:00 a.m. on March 26, 2003, in Room 514-S of the Capitol.

HB 2345, which provides that no school district capital improvement aid will be paid to districts for any general obligation bonds issued after July 1, 2003, through June 30, 2006, for a school district's external athletic or sports facility (Attachment 3).

A letter from Representative Holland in support of **HB 2345** was distributed (Attachment 4).

Representative Shultz moved to adopt the Education Budget Committee's recommendations on **HB 2345**. The motion was seconded by Representative Landwehr.

Representative Gatewood made a substitute motion to amend **HB 2345** by using the same language concerning a "bond election" in lieu of "bond issuance", as amended into **H Sub SB 250**. The motion was seconded by Representative Minor. Motion carried.

Representative Henry moved to amend **HB 2345** by using the same language concerning reorganization or consolidation as was amended into **H Sub SB 250** by the Education Budget Committee. The motion was seconded by Representative Huebert. Motion carried.

Representative Nichols moved to adopt the recommendations of the Education Budget Committee, as amended, on **HB 2345**. The motion was seconded by Representative Feuerborn. Motion carried.

Representative Nichols moved to remove the entire language from **SB 251** and insert the amended language of **HB 2345** and further amend **SB 251** by reporting it as **House Substitute for SB 251** and further allowing the Revisor of Statutes to make any technical changes. The motion was seconded by Representative Feuerborn. Motion carried.

Representative Nichols moved to pass **Sub SB 251** favorably as amended. The motion was seconded by Representative Feuerborn. Motion carried.

Hearing, discussion and action on SB 191--Certain requirements for certain purchases of motor vehicle fuels for state motor vehicles.

Becky Krahl, Legislative Research Department, presented an overview of the bill which concerns the use of bioethanol fuel purchases for state motor vehicles. A corrected fiscal note from Duane Goossen, Director of the Budget, was distributed to the Committee (Attachment 5).

The Chair recognized Eugene Swearingen, Kansas Soybean Association, who presented written testimony in support of **SB 191** (Attachment 6). Kenlon Johnnes, CEO, Kansas Soybean Association, was also present to answer questions from the Committee. The Committee voiced some concern that the reference to "the price is no greater than 10 cents more per gallon than the price of diesel fuel" was too high and suggested that this might be lowered. Mr Swearingen indicated that they would have no objection to lowering this number. In responding to a question about the Kansas Highway Patrol's concern of a negative impact on engines, Mr. Swearingen stated that the fuel should not have a negative impact on engines but should provide longevity to engines. Mr. Johnnes stated that the Department of Transportation (DOT) is already using B2 fuel in approximately 50% of their vehicles.

Written testimony from Kansas Farm Bureau was distributed (Attachment 7).

Greg Krissik, Kansas Corn Growers Association, who presented written testimony in support of **SB 191** (Attachment 8). In response to a question concerning bulk purchases, Mr. Krissik stated that he did not have the percent of bulk purchases of ethanol, but a number of agencies including Department of Wildlife and Parks and DOT is fairly large. He also indicated that the Quik Shop chain, Casey's and a number of Coop's are selling ethanol at their pumps; five or six stations in the Great Bend area are selling ethanol.

The Chair closed the hearing on **SB 191**.

Representative Schwartz moved to pass **SB 191** favorably. The motion was seconded by Representative Nichols. Representative Schwartz withdrew the motion with agreement of the second.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS at 9:00 a.m. on March 26, 2003, in Room 514-S of the Capitol.

Representative Gatewood moved to amend the bill by striking "10 cents" on Line 32 and replacing with "5 cents". The motion was seconded by Representative Osborne. Motion carried.

Representative Schwartz moved to pass SB 191 as amended favorably. The motion was seconded by Representative Huebert. Motion carried.

Representative Landwehr moved to introduce legislation concerning the transfer of nursing home inspectors from the Department of Health and Environment to the Department on Aging. The motion was seconded by Representative Bethel. Motion carried.

Representative Shultz moved to introduce legislation on the Governor's plan for sale of bonds relating to tobacco settlement proceeds. The motion was seconded by Representative Bethell. Motion carried.

The meeting was adjourned at 2:00 p.m. The next meeting will be on March 27, 2003, on first recess of the House.



Melvin Neufeld, Chair

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March 11, 2003

To: House Appropriations Committee

From: Education Budget Committee

Re: HB 2058

The House Education Budget Committee recommends favorable consideration of HB 2058, as amended by the Budget Committee. As introduced, HB 2058 would have abolished the school district capital improvement fund on July 1, 2003, and provided that no state aid could be paid to districts for any general obligation bonds issued after that date. State aid still would be paid on any bonds that were outstanding on that date.

The Budget Committee recommends that the bill be amended as follows:

- Instead of terminating the state aid program, there would be a three-year moratorium from July 1, 2003, through June 30, 2006, during which time no capital improvement state aid would be paid on any bonds unless the voters had voted to approve the issuance of bonds prior to July 1, 2003.
- There would be exceptions to the moratorium in the cases of school districts that have reorganized and consolidated under KSA Article 87 of Chapter 72 and school districts that have a "verifiable need," such as an exceptional enrollment growth over a three-year period or damage to a building. Under the exceptions, a school district could come to the Joint Committee on State Building Construction and present a plan to issue bonds to purchase or improve a site, construct, furnish, equip, repair, remodel, or make additions to school district buildings. If the plan is approved by the Joint Committee, the school district could proceed with its plan and would be entitled to receive capital improvement state aid.

General Information

The school district capital improvement state aid program provides funding to school districts for bond and interest payments in inverse proportion to the district's assessed valuation per pupil. The program was changed from a demand transfer from the State General Fund to a revenue transfer by the 2002 Legislature. Payments are estimated to be \$47,216,350 in FY 2003 and \$55,000,000 in FY 2004.

37810(3/11/3(8:40AM))

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ATTACHMENT 1

HOUSE BILL No. 2058

By Representatives Decker and Mason

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AN ACT concerning school districts; relating to capital improvements; state aid; amending K.S.A. 2002 Supp. 75-2319 and repealing the existing section.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 2002 Supp. 75-2319 is hereby amended to read as follows: 75-2319. (a) There is hereby established in the state treasury the school district capital improvements fund. The fund shall consist of all amounts transferred thereto under the provisions of subsection (c). *The school district capital improvements fund is abolished when all the obligations of the fund cease.*

(b) *Subject to the provisions of subsection (f),* in each school year, each school district which is obligated to make payments from its bond and interest fund shall be entitled to receive payment from the school district capital improvements fund in an amount determined by the state board of education as provided in this subsection. The state board of education shall:

(1) Determine the amount of the assessed valuation per pupil (AVPP) of each school district in the state and round such amount to the nearest \$1,000. The rounded amount is the AVPP of a school district for the purposes of this section;

(2) determine the median AVPP of all school districts;

(3) prepare a schedule of dollar amounts using the amount of the median AVPP of all school districts as the point of beginning. The schedule of dollar amounts shall range upward in equal \$1,000 intervals from the point of beginning to and including an amount that is equal to the amount of the AVPP of the school district with the highest AVPP of all school districts and shall range downward in equal \$1,000 intervals from the point of beginning to and including an amount that is equal to the amount of the AVPP of the school district with the lowest AVPP of all school districts;

(4) determine a state aid percentage factor for each school district by assigning a state aid computation percentage to the amount of the median AVPP shown on the schedule, decreasing the state aid computation percentage assigned to the amount of the median AVPP by one percentage

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1 point for each \$1,000 interval above the amount of the median AVPP.
 2 and increasing the state aid computation percentage assigned to the
 3 amount of the median AVPP by one percentage point for each \$1,000
 4 interval below the amount of the median AVPP. The state aid percentage
 5 factor of a school district is the percentage assigned to the schedule
 6 amount that is equal to the amount of the AVPP of the school district,
 7 except that the state aid percentage factor of a school district shall not
 8 exceed 100%. The state aid computation percentage is 5% for contractual
 9 bond obligations incurred by a school district prior to ~~the effective date~~
 10 ~~of this act July 1, 1992, and~~ 25% for contractual bond obligations incurred
 11 by a school district on or after ~~the effective date of this act July 1, 1992~~
 12 ~~through June 30, 2003.~~

, and 25% for contractual bond obligations incurred by a school district on or after July 1, 2006

13 (5) determine the amount of payments in the aggregate that a school
 14 district is obligated to make from its bond and interest fund and, of such
 15 amount, compute the amount attributable to contractual bond obligations
 16 incurred by the school district prior to ~~the effective date of this act July~~
 17 ~~1, 1992 and~~ the amount attributable to contractual bond obligations in-
 18 curred by the school district on or after ~~the effective date of this act July~~
 19 ~~1, 1992 through June 30, 2003.~~

, and the amount attributable to contractual bond obligations incurred by the school district on or after July 1, 2006

20 (6) multiply each of the amounts computed under (5) by the appli-
 21 cable state aid percentage factor.

22 (7) add the products obtained under (6). The amount of the sum is
 23 the amount of payment the school district is entitled to receive from the
 24 school district capital improvements fund in the school year.

25 (c) The state board of education shall certify to the director of ac-
 26 counts and reports the entitlements of school districts determined under
 27 the provisions of subsection (b), and an amount equal thereto shall be
 28 transferred by the director from the state general fund to the school
 29 district capital improvements fund for distribution to school districts. All
 30 transfers made in accordance with the provisions of this subsection shall
 31 be considered to be demand transfers from the state general fund ~~and~~
 32 ~~that all such transfers during the fiscal year ending June 30, 2003, shall~~
 33 ~~be considered revenue transfers from the state general fund.~~

34 (d) Payments from the school district capital improvements fund shall
 35 be distributed to school districts at times determined by the state board
 36 of education to be necessary to assist school districts in making scheduled
 37 payments pursuant to contractual bond obligations. The state board of
 38 education shall certify to the director of accounts and reports the amount
 39 due each school district entitled to payment from the fund, and the di-
 40 rector of accounts and reports shall draw a warrant on the state treasurer
 41 payable to the treasurer of the school district. Upon receipt of the warrant,
 42 the treasurer of the school district shall credit the amount thereof to the
 43 bond and interest fund of the school district to be used for the purposes

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2

1 of such fund.

2 (e) The provisions of this section apply only to contractual obligations
3 incurred by school districts pursuant to general obligation bonds issued
4 upon approval of a majority of the qualified electors of the school district
5 voting at an election upon the question of the issuance of such bonds
6 which occurred prior to July 1, 2003!

and on or after July 1, 2006

(1) Except as provided further,

7 ~~(f) On and after July 1, 2003, school districts are not entitled to receive~~
8 ~~payments from the school district capital improvements fund for any gen-~~
9 ~~eral obligation bonds issued after July 1, 2003. School districts are entitled~~
10 ~~to receive annual payments from the school district capital improvements~~
11 ~~fund for outstanding bonds on June 30, 2003, in an amount determined~~
12 ~~by the state board of education as provided in subsection (b) sufficient to~~
13 ~~retire such bonds and to pay the interest thereon.~~

and prior to June 30, 2006

During the period of time from July 1, 2003 to June 30, 2006,

and bonds the issuance of which has been approved at an election held on or before
June 30, 2003

14 Sec. 2. K.S.A. 2002 Supp. 75-2319 is hereby repealed.

15 Sec. 3. This act shall take effect and be in force from and after its
16 publication in the statute book.

(2) On and after July 1, 2003 through June 30, 2006, school districts which
reorganize and consolidate in accordance with article 87 of chapter 72 of the Kansas
Statutes Annotated, and amendments thereto, are entitled to receive payments from
the school district capital improvements fund, pursuant to subsection (b), for any
general obligation bonds issued after July 1, 2003 through June 30 2006, if such
school district has first presented to and received approval for the plan to purchase or
improve a site or sites, construct, furnish, equip, repair, remodel or make additions to
buildings necessary for school district purposes or issue bonds therefor from the joint
committee on state building construction. The plan shall include information on
long-term demographics; available space in area school buildings or school districts;
potential growth or decline of the area; new construction of buildings in the area;
sustained growth of student population; and financial condition of the school district,
including but not limited to, the amount of debt of such district. Such school district
shall further advise and consult on such capital improvement project with the
committee.

(3) On and after July 1, 2003 through June 30, 2006, school districts are entitled
to receive payments from the school district capital improvements fund, pursuant to
subsection (b), for any general obligation bonds issued after July 1, 2003 through
June 30, 2006, if such school district has first presented to and received approval for
the plan to purchase or improve a site or sites, construct, furnish, equip, repair,
remodel or make additions to buildings necessary for school district purposes or
issue bonds therefor from the joint committee on state building construction. Capital
improvements allowed by this paragraph shall be limited to school districts tha
show a verifiable need, such as exceptional enrollment growth over a three-year
period or damage to a building. Such school district shall further advise and consult
on such capital improvement project with the committee.

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March 25, 2003

To: House Appropriations Committee

From: Education Budget Committee

Re: HB 2345

The House Education Budget Committee recommends that the Committee consider HB 2345, which would provide that no school district capital improvement aid be paid to districts for any general obligation bonds issued after July 1, 2003, through June 30, 2006, for a school district athletic or sports facility. For purposes of the bill, a school district athletic or sports facility would not include a gymnasium which is attached to a classroom building.

38001(3/25/3{4:29PM})

HOUSE APPROPRIATIONS

DATE 3-26-2003
ATTACHMENT 3

STATE OF KANSAS



TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
MEMBER: COMMERCE & LABOR
HEALTH & HUMAN SERVICES
SELECT COMMITTEE ON KANSAS SECURITY

TOM HOLLAND

REPRESENTATIVE 10TH DISTRICT
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March 26, 2003

Mr. Chairman and members of the committee:

Good afternoon! Thank you for the opportunity to testify today in support of HB 2345. This bill concerns the establishment of a 3 year moratorium on disbursements from the school district capital improvements fund for the development of school district athletic and sports facilities.

The purpose of HB 2345 is to ensure that scarce state dollars that fund the school district capital improvements fund are used in a manner that supports the educational needs of ALL Kansas school children that attend public schools. Given the economic conditions that currently hamper our state's ability to generate revenue, we cannot afford to support projects that benefit one group of children at the expense of another. My sincere hope is that at the end of the moratorium the state's revenue outlook will have sufficiently improved so that the state can once again assist school districts in construction of school district athletic and sports facilities.

Serious times demand serious measures. I believe that this bill helps Kansas to prioritize spending on K-12 education, and I hope that you will support this initiative.

A handwritten signature in black ink, appearing to read "Tom Holland". The signature is stylized and cursive.

Representative Tom Holland
10th District

HOUSE APPROPRIATIONS

DATE 3-26-2003
ATTACHMENT 4



DIVISION OF THE BUDGET
DUANE A. GOOSSEN, DIRECTOR

KATHLEEN SEBELIUS, GOVERNOR

March 26, 2003

CORRECTED

The Honorable Derek Schmidt, Chairperson
Senate Committee on Agriculture
Statehouse, Room 143-N
Topeka, Kansas 66612

Dear Senator Schmidt:

SUBJECT: Corrected Fiscal Note for SB 191 by Senate Committee on Agriculture

In accordance with KSA 75-3715a, the following corrected fiscal note concerning SB 191 is respectfully submitted to your committee.

SB 191, would require the state to purchase blended fuels for its vehicles. All motor-vehicle fuels purchased by any state agency in bulk or individually for use in state-owned motor vehicles must be motor-vehicle fuel blends containing at least 10.0 percent ethanol. Where available, and as long as the price is no greater than \$.10 more per gallon than the price of diesel fuel, a 2.0 percent or higher blend of biodiesel must be purchased for use in diesel powered vehicles and equipment.

The Kansas Department of Transportation (KDOT) states that the Department would have an estimated increase of \$0.009 per gallon for ethanol fuel and \$0.06 per gallon for biodiesel fuel. KDOT would incur expenditures of approximately \$10,896 more per fiscal year compared to regular unleaded fuel and \$173,571 for biodiesel fuel compared to regular diesel fuel, assuming 100.0 percent availability and the fuel consumption staying at current levels. This cost analysis is based on the FY 2002 actual fuel consumption. The agency also notes that fuel prices fluctuate because of the volatility of the market, the delivery location, and the size of the order. At this time, availability of biodiesel at the pump is still limited in the state. The agency would be able to implement this bill with current staff.

HOUSE APPROPRIATIONS

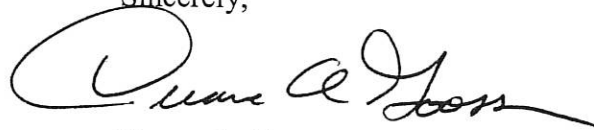
STATE CAPITOL BUILDING, ROOM 152-E, TOPEKA, KS 66612-
Voice 785-296-2436 Fax 785-296-0231 <http://da.state.k>

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The Honorable Derek Schmidt, Chairperson
March 26, 2003
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The Kansas Department of Administration estimates that SB 191 would cost the Department approximately an additional \$92,205 (922,047 gallons X \$.10) in ethanol blended fuel expenditures. This cost would create an increase in the mileage rate of \$.005 charged to the agencies that use the Department's central motor pool services. The Kansas Department of Agriculture estimates that SB 191 would create an additional cost of \$26,395 because of the miles driven to regulate the agriculture industry. The University of Kansas estimates \$8,100 in additional expense related to using blended motor fuels in state vehicles. In the fiscal effect statement originally issued, cost was incorrectly reported that SB 191 would cost the Department of Corrections approximately \$264,461 for gasoline and \$102,406 for bio-diesel based on the first seven months of fuel purchases in FY 2003. The corrected costs the Department would be \$2,073 for gasoline and \$4,652 for bio-diesel based on the same amount of fuel purchased as in the original fiscal effect statement. In addition, other types of costs, according to the Kansas Highway Patrol, using ethanol fuel in high-speed police vehicles could result in a long-range fiscal effect because of the increased wear and tear on engine parts. Emporia State University would have to maintain more than one type of fuel and determine how many agency vehicles and equipment could use blended fuels at this time. Any fiscal effect resulting from the enactment of SB 191 is not included in *The FY 2004 Governor's Budget Report*.

Sincerely,



Duane A. Goossen
Director of the Budget

cc: Pat Higgins, Department of Administration
Walt Darling, Highway Patrol
Bill Watts, Department of Transportation
Max Foster, Department of Agriculture

Kansas Soybean Association
Testimony before the House Appropriations Committee
In favor of SB 191
March 26, 2003

My name is Eugene Swearingen, a farmer from Hiawatha and Immediate Past President and Chairman of the Board of the Kansas Soybean Association (KSA). KSA is a membership organization of soybean farmers who have banded together to work toward favorable state and national policies critical to our profitability.

The Kansas Soybean Association is affiliated with the American Soybean Association (ASA). ASA is working in Washington on the legislative efforts to help make biodiesel and biodiesel blends more competitive in selected markets.

KSA has made biodiesel blend sales in Kansas its number one priority. We are working with the Kansas Soybean Commission (KSC), the soybean checkoff board to educate potential biodiesel blend consumers on the reasons to, and benefits of buying and using biodiesel blends.

The cooperative market development effort we do with the KSC is initially focused on farmers, the Kansas Department of Transportation (KDOT) and school buses. The main reason these groups were selected as part of the initial market development effort is because they purchase fuel all over the state of Kansas.

Farmers and KDOT are asking for and purchasing enough biodiesel blended with diesel fuel that we have identified 37 bulk fuel outlets and 4 on-road public pumps handling B2 or higher blends. That number is increasing rapidly.

We support SB 191 and see it as a next step to the biodiesel blend market development process in Kansas. Asking the remaining fleets of the State of Kansas to step forward and use a minimum 2% blend of biodiesel in the diesel fuel in their diesel powered vehicles and equipment is reasonable and is a natural next step. It continues to build on the successful leadership role KDOT started in 2001 by self mandating themselves to use a B2 blend of biodiesel and diesel as long as the cost of B2 is no greater than ten cents more per gallon than the lowest diesel bid per gallon. KDOT is currently and successfully is using this pricing formula for all its diesel fuel bids and is now using a B2 blend in many of its fleets.

Since there are many myths and misconceptions about biodiesel, I am going to reassure you that using biodiesel blends does not: 1) void engine warranties, or 2) cause gelling problems in the winter. B2 or B20 for that matter, can be, and is being used in Minnesota and Wisconsin at temperatures as low as -30 degrees Fahrenheit.

Since blending biodiesel with diesel fuel and selling B2 and B20 is relatively new in Kansas, I have copies of the PowerPoint presentation we are giving across Kansas, explaining biodiesel, its characteristics, and the benefits of purchasing it. The slides

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ATTACHMENT 6

provide additional background on the information we have been presenting. I can provide copies to those of you on the committee interested in receiving it.

We recently gave this presentation at eighteen biodiesel workshops across Kansas sponsored by an Energy Education grant from the Kansas Corporation Commission, in conjunction with a Biobased Products Grant from the United Soybean Board to the Kansas Soybean Commission.

I also have the list all biodiesel blend retailers I spoke of earlier. We agreed to work with them, as funds permit, to promote the sale of biodiesel blends if they are marketed at a minimum 2% rate. Most of these outlets are bulk sales to off-road users (farmers and KDOT), but we have four on-road B2 biodiesel blend outlets in Kansas. The number of distributors is growing.

While biodiesel has been used extensively in Europe for decades, it was introduced as a fuel in the United States by the soybean checkoff a little over 10 years ago. There is an over supply of soybean oil and other fats and oils in the US that reduces the price soybean farmers receive for their crop. That is why the soybean checkoff has paid for most of the \$30,000,000 of research on the fuel and is continuing its efforts to commercialize biodiesel in the US.

Use of biodiesel blends does: 1) reduce our dependence on imported, non renewable fuels; 2) provide a market for our Kansas farmer produced soybean oil; 3) improve the quality of the diesel fuel it is blended with (better lubricity and higher cetane); and 4) provide cleaner air to those exposed to the diesel engine exhaust from engines running on biodiesel blends.

Biodiesel's development got a boost right after Desert Storm, the first gulf war in 1992 when the Energy Policy Act was passed by Congress and the Bush administration to decrease our dependence on foreign oil. At that time the US was importing an unthinkable 45% of our petroleum needs. The progress so far, we now import over 50% of our petroleum and it is projected that number will be 60% by 2020.

Making SB 191 a law is one more step in a much needed cooperative national, state, and private industry effort to reverse this trend, decrease our dependence on imported petroleum, benefit our general economy and farm economy in Kansas, and improve our air quality.

I would be happy to answer any questions you may have about our effort, the effort of the National Biodiesel Board, ASA or the biodiesel industry. If there are questions I cannot answer, I would like to call upon Kenlon Johannes, KSA CEO, to assist me in answering them. Thank you.

Kansas Soybean Association
785-271-1030



Kansas Farm Bureau

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PUBLIC POLICY STATEMENT

HOUSE APPROPRIATIONS COMMITTEE

Re: SB 191 – Renewable fuels purchases for state motor vehicles.

March 26, 2003
Topeka, Kansas

Presented by:
Leslie Kaufman, State Director
KFB Governmental Relations

Chairman Neufeld and members of the Committee, thank you for the opportunity to provided comments supporting Senate Bill 191. I am Leslie Kaufman, State Director of Governmental Relations for the Kansas Farm Bureau.

Farm Bureau has specific member-adopted policy regarding the procurement and use of biofuels in state vehicles and equipment.

- *We encourage the state to develop and implement an aggressive plan for increasing biofuel usage in state vehicles and machinery. We recommend a minimum of 50% of the state's fuel purchases be bio-fuels by 2005 and all fuel purchases be bio-fuels by 2010. We encourage the legislature to enact such a requirement. If the legislature fails to act, then the Governor shall establish a plan for administrative agencies through Executive Order.*
- *"Bio-diesel blend" fuels should contain at least 2% methyl esters.*

We support this bill as an important step in reaching our Farm Bureau policy goals as articulated above. Additionally, we appreciate the manner in which biodiesel is defined, which is consistent with Farm Bureau policy.

We understand that in these tight budget times, additional focus is directed at measures carrying a fiscal note. We believe the bill can have positive impacts for producers, the state and the environment that make it a wise investment of state dollars. If reasonable refinement of the cost differential included in the Senate Committee of the Whole version of the bill is needed for passage, we would not object. We believe the bill sends an important public policy message about renewable fuel use and respectfully request favorable passage of SB 191. Thank you.

Kansas Farm Bureau represents grassroots agriculture. Established in 1919, this non-profit advocacy organization supports farm families who earn their living in a che

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ATTACHMENT 7



**Testimony Regarding Senate Bill No. 191
Before the House Appropriations Committee
March 26, 2003**

Good morning Chairman Neufeld and members of the House Appropriations Committee, my name is Greg Krissek. I am the Director of Operations for both the Kansas Corn Growers Association and the Kansas Grain Sorghum Producers Association. I appreciate the opportunity to testify in support of SB 191.

The provisions of SB 191 would require that all bulk purchases of motor-vehicle fuels by state agencies be blends containing at least 10% ethanol, or as we like to identify it, E-10 Unleaded. Also, individual retail purchases for state vehicles where available under current state purchasing agreements, would also be required to be E-10 Unleaded. As currently written in this bill, these bulk and individual purchases would not be required if the fuel was priced more than ten cents higher than regular unleaded gasoline. This legislation also contains provisions for the state fleet's use of biodiesel, but my comments will be focused on the use of ethanol.

Kansas currently has five operating ethanol production plants that process grains, including grain sorghum, corn, and wheat, into more than 80 million gallons of fuel ethanol annually. Nationally, approximately 2.1 billion gallons of ethanol were produced in calendar 2002. As of today, U.S. ethanol production capacity has reached 2.7 billion gallons per year. We believe several additional Kansas ethanol plants with significant farmer ownership will be under construction later this calendar year.

The most recent statistics for calendar 2001 from the US Federal Highway Administration indicate that only 5% of Kansas' fuel ethanol production is consumed in the state with total market penetration of E-10 Unleaded in Kansas at about 2% of all gasoline fuels consumed. This is why our associations in conjunction with the grain commissions last year began the promotional campaign with gasoline retailers and consumers to increase the awareness of E-10 Unleaded fuels. Our tracking system now reflects that approximately 400 retail stations in Kansas sell E-10 Unleaded fuel.

The E-10 Unleaded brochures attached with my testimony provide information concerning the many positive things that occur by using this fuel in your vehicle. State government can play a significant role in expanding the use of E-10 Unleaded blends by ensuring that its bulk fuel purchases use this Kansas-grown product. The Central Motor Pool of the Department of Administration, at a relatively nominal cost, has successfully been providing this fuel at its Topeka central fueling facility for the past three years.

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As we have worked to expand the use of E-10 Unleaded, we have monitored its pricing history. In the past year at the terminal we use, the price spread with regular unleaded has usually ranged from several cents less to several cents more at the wholesale level and has not exceeded five cents more for E-10 Unleaded. We are not sure this type of normal price spread was correctly reflected in portions of the fiscal note originally prepared for SB 191. The state fleet in Nebraska has had a similar program effective for many years and with their state's increased ethanol production creating a plentiful local supply, their fleet administrators normally find E-10 Unleaded priced under gasoline at the wholesale level. We believe that as additional ethanol plants open in Kansas, a similar effect will occur with our wholesale prices.

We support this legislation and use of E-10 Unleaded for its environmental, energy independence, and economic development benefits. We ask you to do the same.