

MINUTES OF THE SENATE AGRICULTURE

The meeting was called to order by Chairman Mark Taddiken at 8:30 a.m. on February 1, 2006 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 Statutes
Judy Seitz, Committee Secretary

Conferees appearing before the Committee:

Proponents:

Brad Harrelson, Kansas Farm Bureau
Kenlon Johannes, Kansas Soybean Association
Jim Kaeb, Berwick Co-op Oil Company

Opponents:

Mark Tomb, Kansas League of Municipalities
Randall Allen, Kansas Association of Counties

Neutral:

Ethan Erickson, Kansas Department of Transportation

Others attending:

See attached list.

Chairman Taddiken acknowledged receipt of the Retail Food Inspection Transition and Baseline Report and the Report of the Kansas Dairy Marketing Advisory Board from the Kansas Department of Agriculture (KDA). Copies were distributed to each Committee member (Attachments 1 and 2). The chairman also noted that copies of the minutes of the Agriculture Committee for January 10, 11, 17, 18, 24 and 25. were distributed for Committee review. The minutes will be acted upon later in the meeting.

The Chairman also noted that this is the final day for this Committee to request bill drafts.

Chairman Taddiken requested the introduction of a bill which would reduce the motor fuel tax rate on E85 by seven cents per gallon. He made a motion to introduce a bill regarding the reduction in motor fuel tax, seconded by Senator Huelskamp. Motion passed.

Chairman Taddiken made a motion to introduce a resolution urging Congress and others to work toward a goal that by the year 2025, 25% of the energy consumed in the United States will be derived from agricultural sources. Motion was seconded by Senator Morris. Motion passed.

Hearings continued on **SB 388 - Establishing the Kansas qualified biodiesel fuel producer incentive fund.** Brad Harrelson spoke in support of **SB 388** (Attachment 3). The KFB feels that this would be a win-win, not only for Kansas agriculture and Kansas rural economies but also for the citizens of the state. They also believe that this would make Kansas competitive with other surrounding states.

Ethan Erickson spoke neutrally regarding **SB 388** (Attachment 4). Even though KDOT supports the use of biodiesel products and uses them in their operations; they believe that **SB 388** would result in a reduction of revenues to the State Highway Fund (SHF) and the Comprehensive Transportation Program (CTP).

Mr. Erickson stood for questions.

Chairman Taddiken said this bill came out of the Select Joint Committee on Energy and the concept of **SB 388** is that it looks at ways for Kansas to produce energy and add value to Kansas products which increases our fuel supply which creates jobs and economic growth and lessens the reliance on foreign oil.

CONTINUATION SHEET

MINUTES OF THE Senate Agriculture at 8:30 a.m. on February 1, 2006 in Room 423-S of the Capitol.

Mark Tomb appeared in opposition to **SB 388** (Attachment 5). The KLM has problems with the funding mechanism. They also believe it would result in a reduction of transfers to the State Highway Fund and the Special City and County Highway Fund (SCCHF). Even though the KLM is generally supportive of renewable sources of energy they believe it would reduce the demand transfer to local government.

Mr. Tomb stood for questions.

Randall Allen gave testimony opposing **SB 388** (Attachment 6). Mr. Allen stated that their objection to this legislation is that it uses moneys that have been dedicated to cities and counties and to the State Highway Fund to finance the biodiesel incentive fund.

Mr. Allen took questions from the Committee.

Chairman Taddiken requested clarification from staff regarding apportioning of the fund. Staff will review the statute regarding this subject and report to the Committee.

The chairman closed hearings on **SB 388**.

Chairman Taddiken opened the hearing on **SB 389--Concerning income taxation; relating to credits; biofuels mixing facility**.

Brad Harrelson appeared in support of **SB 389** (See Attachment 3).

Mr. Harrelson stood for questions.

Mr. Gilliland said that **SB 389** was introduced by this Committee at the request of the Selection Joint Committee on Energy. This bill provides for an income tax incentive for qualified biofuel mixing facilities located in Kansas placed in service on or after January 1, 2006.

Chairman Taddiken said that he wanted the Committee to hear all of the bills requested by the Select Joint Committee on Energy regarding biodiesel fuel before working any of them.

Chairman Taddiken asked Tom Palace a question regarding the blending of fuels and who gets the credit. Mr. Palace had not planned to testify on **SB 389**.

Kenlon Johannes spoke in support of **SB 389** (Attachment 7). Mr. Johannes stated that retailers are struggling to handle and blend biodiesel sales and production in Kansas but this bill would make the process easier. His handout listed the B100 biodiesel suppliers for Kansas retailers, the bulk off-road dyed biodiesel retailers 2% or higher blends available and the biodiesel on-road retailers at the pump 2% or higher blends available.

Mr. Johannes stood for questions.

Jim Kaeb, Berwick Co-op Oil Co., spoke in favor of **SB 389**.

Mr. Kaeb stood for questions.

Chairman Taddiken declared the hearing on **SB 389** closed.

Senator Lee requested the introduction of a bill regarding the amount fair boards are allowed to spend on repair of buildings. The limit is now \$3,000 and the amount would be increased to \$10,000. Senator Lee made a motion to introduce this bill, seconded by Senator Ostmeyer. Motion passed.

Motion by Senator Pine to approve the minutes of the Agriculture Committee for January 10, 11, 17, 18, 24 and 25. Motion seconded by Senator Lee. Motion carried.

The meeting adjourned at 9:30 a.m. The next meeting is February 7.

SENATE AGRICULTURE COMMITTEE GUEST LIST

DATE: February 1, 2006

NAME	REPRESENTING
John A. Donley	KS Cust. Assoc.
Lindsey Douglas	Hein Law Firm
BRAD HARRELSON	KFB
Kenton Johannes	Kansas Soybean Association
Ray Hammond	KDAC
Ernie Dominguez	KDOC
Jandy Braden	Alliance for Auto Manufacturers
Erik Wisner	KDA
Ethan Erickson	KDOT
Ken Gudentauf	KDOT
Jesse Romo	KDOT
Mark Tomb	LKM
Tom Palace	PMCA of Kansas
Randall Allen	KS Association of Counties
Leslie Kaufman	KS Coop Council



KANSAS

DEPARTMENT OF AGRICULTURE
ADRIAN J. POLANSKY, SECRETARY

KATHLEEN SEBELIUS, GOVERNOR

Retail Food Inspection Transition and Baseline Report to the Senate Agriculture Committee

**by Evan Sumner
Food Safety Director
Kansas Department of Agriculture**

February 1, 2006

As required by SB 296, we are providing you an update on the transfer of food safety responsibilities to the Kansas Department of Agriculture and reporting baseline compliance data gleaned from our first full year of inspections.

In January 2004, Governor Sebelius signed Executive Reorganization Order No. 32 transferring powers, duties and functions related to licensing, inspecting and regulating mobile retail ice cream vendors, retail food stores, food service establishments in retail food stores, food vending machines, companies and dealers, and food processing plants from the Kansas Department of Health and Environment to the Kansas Department of Agriculture.

The 2004 Legislature passed Substitute Senate Bill 296, requiring the Kansas Department of Agriculture to create a statistically based, random selection of 1,000 retail stores to inspect with results evaluated and documented as baseline compliance for this transferred program. Inspection results are to be reported to both the House and Senate Agricultural Committees by January 31, 2006.

Program Transition

We took several actions in 2004 and 2005 to provide a smooth transition of food safety responsibilities:

- A division of food safety was created to allow the agency to best use existing food safety staff and expertise.

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- Handheld computers and inspection software were purchased to enable paperless inspections.
- We renewed food service establishment inspection contracts with Johnson, Saline, Lyon, Riley, Geary and Reno counties, and the City of Wichita.
- We entered into a memorandum of understanding with the Kansas Department of Health and Environment's Bureau of Epidemiology committing to help investigate foodborne illness outbreaks.
- We entered into memoranda of understanding with KDHE (food protection) to clarify which of our agencies will license and inspect facilities with multiple food operations (e.g., restaurants that also sell retail foods and wholesale foods).
- We conducted a joint training session with KDA and KDHE personnel to familiarize field inspectors with the agreements made in the memoranda of understanding and to explain inspection expectations.
- We continue to partner with KDHE to adopt FDA's 2005 Food Code. A review task force including KDA, KDHE and industry stakeholders has met as part of the adoption process.
- We met with county contract partners to ensure consistent inspections.
- Between October 1, 2004, and October 31, 2005, we investigated 266 consumer complaints, responded to 90 disasters involving food (truck wrecks, fires, etc.) and performed 222 follow-up inspections. KDA and contract inspectors performed a total of 2,628 inspections.

Five full-time inspector positions are filled, the Kansas City area inspector currently is being trained and we are interviewing candidates to fill a recently vacated south-central area inspector position.

The division of food safety uses one meat and poultry inspection program compliance officer to conduct food manufacturer inspections, which is a good example of the cross-training benefits that resulted from this program transfer. This position is funded 75 percent by the meat and poultry inspection program and 25 percent by the food safety program.

Dairy inspectors have been trained to conduct juice, wine and other bottling inspections, and weights and measures staff inspect vending machines and ice cream trucks. Using staff from these programs eliminates the need for multiple inspectors in the same facility.

Baseline Inspection

Senate Bill 296 required our department to randomly select 1,000 retail food stores to inspect to establish baseline compliance data and to provide a report to the House and Senate Agriculture Committees by January 31, 2006.

Included in the baseline survey are both retail food stores and food service establishments in retail food stores (e.g., an eating establishment inside a grocery store). We inspected 494 retail food stores and 940 food services establishments for a total of 1,434 baseline inspections. Data collectors included retail food inspectors from the Kansas Department of Agriculture and contract county inspectors.

Historically, all establishments selected for this baseline would have been randomly selected. However, due to the inspection report format, baseline data are collected during routine and complaint investigation inspections.

The preliminary baseline inspections are intended to determine initial compliance rates for retail food stores and food service establishments in retail food stores. This baseline will serve as a point of reference to gauge our inspection efforts and industry's compliance.

Baseline

The preliminary baseline included the five foodborne illness risk factors identified by the *Centers for Disease Control and Prevention (CDC) Surveillance Report for 1988 – 1992*. These five contributing foodborne illness risk factors were identified in the *FDA Report on the Occurrence of Foodborne Illness Risk Factors in Selected Institutional Foodservice, Restaurants, and Retail Food Store Facility Types (2004)*.

These risk factors are:

1. Food from unsafe sources
2. Inadequate cooking
3. Improper holding temperatures
4. Contaminated equipment
5. Poor personal hygiene
6. Chemicals (In our baseline study, we included potential chemical contamination in addition to the five foodborne illness risk factors.)

The results include data from:

Food service establishment inspections	940
Retail food establishment inspections	<u>494</u>
Total inspections	1,434

Compliance

Our initial compliance rates, based on inspections between October 1, 2004, and December 31, 2004, were:

- Approved source: 98.7%
- Adequate cooking: 95.6%
- Proper holding temperature: 65.8%
- Contaminated equipment: 67.8%
- Personal hygiene: 79.7%
- Chemicals: 67.2%

Our compliance rates based on inspections between January 1, 2005, and December 31, 2005, are:

- Approved source: 98.5%
- Adequate cooking: 96.8%
- Proper holding temperature: 89.5%
- Contaminated equipment: 83.6%
- Personal hygiene: 95.8%
- Chemicals: 73.7%

While significant improvement has been achieved since October 2004, we are committed to greater improvement. We will continue to look for ways to improve efficiencies, improve sanitation within regulated facilities and to eliminate multiple inspectors visiting a single establishment. Also, we are evaluating the program's fee structure to determine if it can be made more equitable while sustaining program activities.

We believe that the transfer of food safety responsibilities to our agency in 2004 is a success, and we believe we will have additional successes to report in the future.



KANSAS

DEPARTMENT OF AGRICULTURE
ADRIAN J. POLANSKY, SECRETARY

KATHLEEN SEBELIUS, GOVERNOR

Report of the Kansas Dairy Marketing Advisory Board to the Senate Agriculture Committee

February 1, 2006

The Kansas Legislature created the Dairy Marketing Advisory Board in 1994. This board reports annually to the Senate and House Agriculture Committees.

The board is made up of two dairy producers, one dairy processor, one consumer and the secretary of agriculture or his or her designee. Current members are Dennis Metz, a producer from Wellington; Elaine Sauerwein, a consumer from Newton; and Kansas Secretary of Agriculture Adrian Polansky. Two positions – one producer and one processor – are not filled.

This report has been prepared cooperatively by the Dairy Marketing Advisory Board, the Kansas Dairy Association and the Kansas Department of Agriculture.

The Kansas Dairy Industry

The Kansas dairy industry continues to change. As we have reported the last few years, the state continues to have fewer dairies and fewer cows, but higher milk production. Indeed, the increase in production is dramatic, with Kansas showing a 57.7 percent increase in total production between 1999 and 2004.

For benchmarking purposes, we can compare the early 1980s dairy picture with the early 2000s. There were 1,327 Grade A dairies and 738 manufacturing grade operations in 1981. Those dairies had 123,000 cows that produced nearly 1.4 million pounds of milk. By the end of 2005, Kansas was down to 454 Grade A dairies and no manufacturing grade dairies. Those dairies had 113,000 cows that produced 2.2 billion pounds of milk.

Changing National Picture

Nationwide, milk production during 2004 increased 0.2 percent compared with 2003, growing to a record 170.8 billion pounds. The 2004 total was 0.4 percent higher than 2002.

Kansas recorded the third-largest annual percentage gain among the states compared with 2003, producing 3.5 percent more milk in 2004. Only Wyoming (17.4) and Texas (6.7) had larger percentage gains in 2004.

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Nationwide, per capita production decreased 2.5 percent between 1999 and 2004. Of the 12 states that showed a production gain, Kansas led them with a 53.0 percent per capita production gain.

Also in 2004, Kansas ranked 11th in production per cow and remained in the top 20 of milk producing states, coming in at 18.

Milk Prices

Milk prices in December 2005 were down from December 2004, from a statistical uniform price (SUP) of \$15.26 to \$13.69 per hundredweight. However, the December 2005 SUP is 6 percent higher than the December 2003 SUP and 28 percent higher than the December 2002 SUP. The price increase over the last few years has eased the burden of an extended period of low prices paid to producers.

Milk Income Loss Contract Program

The Milk Income Loss Contract program (MILC) began in 2002, and it was designed to compensate dairy producers when domestic milk prices fall below a specified level. The program was scheduled to expire in 2005, but was granted an extension until August 31, 2007, as part of the budget reconciliation bill that is expected to receive final action very soon.

Under the MILC program, monthly payments are made to producers when the Boston Class I milk price falls below \$16.94 per hundredweight. We believe that MILC payments have helped some of our smaller producers stay in business.

Cooperatives Working Together

In July 2003, many dairies throughout the United States formed Cooperatives Working Together (CWT). CWT addresses supply and demand imbalances that can depress milk prices, and it is funded through a 5 cent assessment on participating dairies. CWT's goal is to reduce the nation's milk supply and deliver a 400 percent return on investment. In 2005, 11 Kansas dairies participated in the third round of herd retirements. It is expected that the higher prices associated with a decrease in milk production will create more than \$1 billion in additional farm income in the United States by the end of 2005.

Regional Dairy Compacts

The Kansas Legislature acted in 1999 to allow the Kansas secretary of agriculture to enter into a southern interstate dairy compact if it was determined it would benefit Kansas producers. The Kansas Dairy Association supported this action. The goal of compacts is to stabilize prices paid to farmers for fluid milk, which reduces business uncertainties and stabilizes a regional supply. There has been no action to form such a compact in the past year, but legislation is expected in the current congressional session.

Kansas Cheese Industry

In the past few years, Kansas has welcomed two new cheese makers to the state. Jason Wiebe Dairy of Durham specializes in old farmhouse cheeses. The Alma Creamery in Alma produces more than 25 types of cheese and began a TV advertising campaign in 2004 to publicize the enhancements that have been made to their facility. The increased production of Kansas cheese is another indicator that the Kansas dairy market is growing.

Conclusion

Change in the dairy industry is inevitable, but Kansas is showing many positive changes. Increased production improves the state's chances of attracting a processing plant with jobs and economic benefits. Also, several smaller producers are developing ideas to produce cheese or bottled milk for niche markets. The Kansas Department of Commerce's agricultural marketing program and the Kansas Department of Agriculture's dairy inspection program are available to help turn producers' good ideas into reality.

We thank the Kansas Legislature for its interest and ask that it continue to monitor the impact of volatile prices on the Kansas dairy industry.



KANSAS FARM BUREAU
The Voice of Agriculture

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PUBLIC POLICY STATEMENT

SENATE COMMITTEE ON AGRICULTURE

RE: SB 388, 389, 393 – acts concerning taxation; relating to incentives for biofuel facilities.

January 31, 2006
Topeka, Kansas

Testimony provided by:
Brad Harrelson
State Policy Director
KFB Governmental Relations

Chairman Taddiken, and members of the Senate Committee on Agriculture, thank you for the opportunity to appear today and offer testimony in support of SB's 388, 389, and 393. I am Brad Harrelson, State Policy Director—Governmental Relations for Kansas Farm Bureau. KFB is the state's largest general farm organization representing more than 40,000 farm and ranch families through our 105 county Farm Bureau Associations.

On behalf of Kansas Farm Bureau (KFB) I would like to extend our appreciation to the Kansas Legislature for it's past support for bio-fuels. You undoubtedly share our firm commitment to this valuable, renewable energy resource. We at KFB stand ready to assist you in your mission to promote these alternative fuels.

Biodiesel has tremendous upside not only for ag producers, but also fuel consumers. Consumption of biodiesel fuel reduces our dependence on foreign oil and enhances market demand for soybeans and other crops, which is good for Kansas agriculture, and the rural Kansas economy.

As you know, our members consume large quantities of fuel, oil and fertilizer in a variety of uses ranging from running the tractor or combine, to the irrigation engine, to the application of nitrogen fertilizers that are petroleum derived products. In fact,

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within their communities, many of them purchase larger quantities of fuel than their local school district. Regularly, fuel expense is the largest input cost in overall production outlay. Farmers, as you know, operate their business without the opportunity to pass costs on to others. They are subject to receiving only what the market will pay for their commodities without regard for the costs of production. For these reasons, proactive programs that potentially lower future fuel costs are of vital importance.

A study released December 1, 2005 by the Agriculture Economics Department at Kansas State University indicates that for energy inputs (fuel and oil, irrigation energy, and fertilizer) costs in 2005 are expected to increase significantly over the previous 5-year average. The study estimates that energy and fertilizer prices across all farms will increase 2005 costs an average of \$9.30 per acre when compared to 2004. Additionally, continued spiking of prices, especially for fertilizer, will add approximately \$6.37 per acre in 2006.

Therefore, producing fuel from Kansas corn and soybeans is better long-term than continuing to rely on imported foreign oil. That's why putting new biofuels incentives in place are important to Kansas Farm Bureau. These new incentives would help us build more local demand for Kansas soybeans, while at the same time lowering the long-term cost of biofuel production. It is a win-win for Kansas farmers and consumers.

The U.S. Congress approved federal tax credits for biodiesel a year ago as a part of the American JOBS Creation Act of 2004. Those biodiesel tax credits were extended to 2008 with passage of the Energy bill to ensure long-term growth for the biodiesel industry. In addition to these federal tax credits, we believe similar proactive efforts are appropriate, and needed at the state level.

In Kansas, there are currently a number of biodiesel production facilities in various stages of development now being considered. Several surrounding states have already enacted policies similar to those contemplated in these three bills. To avoid further competitive disadvantage, the need to take bold and swift action is now. For these reasons, KFB supports the proposals contained in SB 388, SB 389 and SB 393, which are a positive step and viable commitment by the state that should be seriously considered.

In conclusion, thank you for your consideration, your support of bio-fuels and Kansas agricultural producers. We stand ready to assist as you consider these important measures. Thank you.

KANSAS

DEPARTMENT OF TRANSPORTATION
DEB MILLER, SECRETARY

KATHLEEN SEBELIUS, GOVERNOR

TESTIMONY BEFORE THE SENATE TRANSPORTATION COMMITTEE

REGARDING SENATE BILL 388 ESTABLISHING A BIODIESEL PRODUCER INCENTIVE FUND

JANUARY 31, 2006

Mr. Chairman and Committee Members:

Good morning. My name is Ethan Erickson, Budget and Financial Manager for the Kansas Department of Transportation (KDOT). I appreciate the opportunity to testify on Senate Bill 388.

Senate Bill 388 establishes the Kansas qualified biodiesel fuel producer incentive fund, which would, beginning July 1, 2007, deposit \$3.5 million annually from motor fuel tax revenues into the new fund. Under current law, these revenues are deposited into the State Highway Fund (SHF) and the Special City and County Highway Fund (SCCHF). If this bill is enacted, the result is a reduction of revenues to these two funds.

The most recent cash flow forecast for the State Highway Fund shows a zero available ending balance at the end of FY 2009. The agency is cautiously optimistic that, barring no significant changes in costs and funding, we will complete the announced projects in the Comprehensive Transportation Program albeit on "fumes". However, the further diversion of state highway funds would jeopardize the completion of the CTP. We are currently monitoring our lettings closely due to the rising cost of oil-based projects. Because the work of the agency relies heavily on fuel and oil-based products, the impact of rising costs in the oil market can be significant.

KDOT supports the use of biodiesel products and use them in our operations. Last March our agency appeared before this committee to provide you an update on our use of alternative fuels. Since 2001, KDOT has steadily increased our use of biodiesel and this continues, biodiesel purchases comprise 60-65% of our agency diesel fuel purchases.

This bill would reduce revenues to the State Highway Fund. Any erosion of dollars will be a detriment to completing the Comprehensive Transportation Program.

Thank you, Mr. Chairman. I would be glad to answer any questions.

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League of Kansas Municipalities

To: Senate Agriculture Committee
From: Mark Tomb, LKM
Date: February 1, 2006
Re: Opposition to Senate Bill 388

Thank you for allowing me to appear on behalf of the League of Kansas Municipalities and our member cities. We appear today in opposition to SB 388, which establishes the Biodiesel Producer Incentive Fund.

The problem we have with this particular legislation is the funding mechanism. The program would result in a reduction of transfers to the State Highway Fund, and the Special City and County Highway Fund (SCCHF).

The program has supportable policy intentions, but the financial effect (without increasing the motor fuels tax rate) would be a \$3.5 million annual reduction in transportation infrastructure funding. Specifically, this would result in a \$1,177,500 reduction for SCCHF and \$2,322,500 reduction for the State Highway Fund.

The stability of the Comprehensive Transportation Plan, as well as resources for local projects, would be negatively impacted by this legislation.

At the local level, SCCHF is a major source of funding for infrastructure projects that benefit all Kansans. These projects have a dramatic economic development impact and most importantly make roads safer for Kansas drivers.

The League is generally supportive of renewable sources of energy. In fact, several of our member cities have used existing economic development tools to partner with agri-business groups and farmers to construct ethanol plants. We suspect that similar partnerships would exist as it relates to the production of biodiesel production plants in the future.

However, because this legislation further reduces the demand transfer to local government, the League of Kansas Municipalities opposes SB 388 as written. Again, thank you for allowing LKM to comment on this proposed legislation. I would be happy to stand for questions at the appropriate time.

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TESTIMONY
concerning
SB 388
Biodiesel Fuel Producer Incentive Fund
Presented by Randall Allen
Senate Agriculture Committee
February 1, 2006

Chairman Taddiken and members of the committee, my name is Randall Allen, Executive Director of the Kansas Association of Counties (KAC). I appreciate the opportunity to testify on behalf of the Kansas Association of Counties and our 96 member counties *in opposition to* SB 388 concerning the Biodiesel Fuel Producer Incentive Fund.

I want to begin by saying that counties do not have a position on the merits of the concept of setting aside monies for the purpose of incentivizing the production of biodiesel fuel. Our objection to SB 388 is that it uses moneys that have been dedicated to cities and counties, and to the State Highway Fund to finance the Biodiesel Incentive Fund. For local governments who are recipients of the Special City and County Highway Fund (SCCHF), the annual loss of revenue would be \$1.177 million, and the loss over the eight-year period would be \$9.416 million. The SCCHF is a major source of revenue to counties to help fund our road and bridge system maintenance and repairs. Yet, the \$1.177 million annual impact is just the direct hit to local governments. We are partners with KDOT in every sense of the word. KDOT and local governments work hard to coordinate transportation system planning, and so we are also concerned with the indirect impact of the loss of \$2.322 million to KDOT, or \$18.576 million over the 8-year period.

If the Incentive Fund concept has merits, and we express no opinion on that subject, could it be financed from EDIF or some other source of state funds? We urge the Committee to consider SB 388 in greater depth and identify another source of funding for this purpose. Thank you for the opportunity to comment on this proposal.

The Kansas Association of Counties, an instrumentality of member counties under K.S.A. 19-2690, provides legislative representation, educational and technical services and a wide range of informational services to its members. Inquiries concerning this testimony can be directed to Randall Allen or Judy Moler at the KAC by calling (785) 272-2585.

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Kansas Senate Agriculture Committee
February 1, 2006 hearing on SB 389

Chairman Taddiken and members of the committee. The Kansas Soybean Association (KSA) has been actively involved in the promotion of the use of biodiesel in Kansas making this effort our number one market development priority. The use of biodiesel has increased steadily over the past few years and is on the verge of a rapid increase in use, but biodiesel cannot be sold in Kansas if it not available. Retailers at times are struggling to handle and blend biodiesel but have been willing to do so because their customers (farmers and state fleets) have asked for it. We would like to see this process made easier and SB 389 helps do this.

This incentive would complement other incentives the legislature would provide to assist the fledgling biodiesel industry in Kansas. We feel it would be one of several components to assist biodiesel sales and production in Kansas. Providing biofuel mixing facilities credit against their income tax will only stimulate biodiesel's availability.

I have attached lists of 100% biodiesel suppliers to Kansas, the growth of retail outlets and off-road and on-road retail outlets in Kansas. You can see the spikes in the increase of biodiesel outlets at two different times. The first time when the legislature passed the law mandating the use of biodiesel by state entities, and the second time when the federal blending tax incentive was enacted. With the passage of this bill, we may see an additional spike in the availability of biodiesel blends in Kansas as biodiesel retailers would benefit from this bill, especially in the on-road market. With increased availability we should see an increase in sales. Many of the retailers who may benefit from this legislation are local independent fuel retailers or co-ops who must store 100% biodiesel and blend it with diesel fuel themselves. At the rack blenders will also benefit as they will be able to add the infrastructure to blend biodiesel and supply it to retailers. This would be an additional benefit to retailers as it would offer them the option of buying from the rack or blending biodiesel themselves. All this decreases the cost of the fuel at the pump and benefits sales. KSA supports the passage of SB 389.

Kenlon Johannes, CEO
Kansas Soybean Association

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B100 BIODIESEL SUPPLIERS FOR KANSAS FUEL RETAILERS

Retailer	City and/or State	Phone Number	Contact
Ag Environmental Products	Omaha, NE	800-247-1345	Steve Nogel
BioEnergy of Colorado	Denver, CO	303-292-9333	Monte Malone
Fausser Energy Resources	Lincoln, NE	800-541-1226	Deb Myres
Hampel Oil Company	Wichita, KS	316-529-1162	John McQuery
Lybarger Oil, Inc.	Garnett, KS	785-448-5512	Dave Lybarger
Mid-Kansas Cooperative	McPherson, KS	620-241-1885	Jim Amann
Producer's Coop	Girard, KS	620-724-4117	Kim Branard
Rocky Mountain Biodiesel	Berthoud, CO	303-809-3515	Greg Weeks
West Central Soy	Overland Park, KS	913-884-8521/ cell 913-484-8521	Gary Haer
World Energy	Houston, TX	832-615-7390	Martin Beirne

These are the suppliers known to us as of December 27, 2005. Other suppliers may exist that are not known to the Kansas Soybean Commission, and some listed may have dropped biodiesel from their product line.

Kansas Soybean Commission
2930 SW Wanamaker Drive
Topeka, KS 66614-4116
800-328-7390

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Growth of Biodiesel Retail Outlets in Kansas
2% or higher blend offered

Date	Off-road fuel retailers	On-road fuel retailers
January 1, 2003	25	2
October 1, 2003	111	11
October 1, 2004	130	17
October 1, 2005	172	29
January 1, 2006	172	29

Kansas Bulk Off-Road Dyed Biodiesel Retailers

2% or Higher Blends Available

Listing by City

City	Biodiesel Retailer	State	Phone Number
Abilene	Robson Oil	KS	785-263-2470
Agenda	Agenda Oil Co.	KS	785-732-6521
Andale	Andale Farmer's Coop	KS	316-444-2141
Arma	Doue Oil	KS	620-347-8508
Atchison	Consumer Oil Co., Inc.	KS	913-367-1528
Athol	Athol Coop	KS	785-695-2209
Attica	Dark Oil	KS	620-254-7266
Atwood	Dave's Oil Service	KS	620-626-3728
Bartlett	Bartlett Coop	KS	620-226-3322 or 800-314-2667
Belleville	Farmway Coop	KS	785-527-5417
Beloit	Farmway Coop	KS	785-738-2241
Beloit	Shamburg Oil Co.	KS	785-738-5181
Bendena	Consumer Oil Co., Inc.	KS	785-988-4459
Bern	Bern Oil Company, Inc.	KS	785-336-3518
Bird City	Frontier Equity Exchange	KS	785-734-2331
Blue Rapids	Home Oil Services, Inc.	KS	800-794-0945
Brewster	Frontier Equity Exchange	KS	785-694-2281
Buhler	Mid Kansas Coop	KS	620-543-2765
Burns	Mid Kansas Coop	KS	620-726-5287
Castleton	Mid Kansas Coop	KS	620-459-6950
Cawker City	Bob's Inc.	KS	785-454-6219
Chanute	Chandler Oil LLC	KS	800-274-4720
Cimarron	Dodge City Coop	KS	620-855-3421
Colby	Co-Ag	KS	785-462-2063
Colby	J. J. Oil	KS	785-425-7152
Columbus	Farmers Coop	KS	620-429-1294
Columbus	Midwest Propane	KS	620-429-3098
Columbus	Lopp Oil Co.	KS	620-429-1500
Concordia	Farmway Coop	KS	785-243-2394
Concordia	Walthers Oil Co.	KS	785-729-3398
Cottonwood Falls	Dieker Oil Co.	KS	620-273-6325
Courtland	Hoard Oil	KS	785-374-4425
Dighton	Shull Oil	KS	620-397-3175
Dodge City	Dodge City Coop	KS	620-225-4193
Downs	Midtown, Inc.	KS	785-454-6219
Durham	Agri-Producers, Inc.	KS	620-732-3315
Dwight	Dwight Fuel Service	KS	785-482-3389
Effingham	Jackson Farmers Inc.	KS	913-833-2070
Emporia	S&S Oil & Propane Co. Inc.	KS	620-342-2835
Elbing	Epp Service	KS	316-799-2333
Frankfort	Wanklyn Oil Co., Inc.	KS	785-292-4710
Fredonia	Burns Oil	KS	620-378-3226
Fredonia	Chandler Oil LLC	KS	620-378-2412 or 800-274-4720
Frontenac	Dobrauc Oil Co., Inc.	KS	620-231-9270
Garden City	Hampel Oil	KS	620-275-7777 or 877-430-4774

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Garden City	Robinson Oil	KS	620-275-4237
Garden Plain	Hampel Oil	KS	316-648-7241
Garden Plain	Farmer's Coop Elevator	KS	800-525-7490
Garnett	Lybarger Oil, Inc.	KS	785-448-5512
Garnett	United Coop, Inc.	KS	785-448-3712
Girard	Producer's Coop	KS	620-724-4117
Goessel	Mid Kansas Coop	KS	620-367-2201
Goodland	Farmers Equity Exchange	KS	785-694-3681
Great Bend	Bird Oil Company	KS	620-793-5932
Great Bend	Great Bend Coop	KS	620-793-5031
Great Bend	Moeder Oil Co., Inc.	KS	620-792-1203
Greeley	United Coop, Inc.	KS	785-867-2140
Greensburg	Volz Oil Co.	KS	620-723-2652
Grinnell	Co-Ag	KS	785-824-3359
Gypsum	Gypsum Oil Co.	KS	785-822-4424
Halstead	Farmers Coop Elevator Co.	KS	316-835-2261 or 800-280-6042
Harris (Garnett)	United Coop, Inc.	KS	785-448-6808
Haven	Mid Kansas Coop	KS	620-465-2292
Hays	Midland Marketing Coop	KS	785-628-3221
Hiawatha	AG Partners Coop	KS	785-742-2196
Hiawatha	Davies Oil Company, Inc.	KS	785-742-2081
Hill City	Turnbull Oil Co.	KS	785-434-4629
Herington	Vahshottz Oil	KS	785-258-2498
Holton	Knotty Pine Oil	KS	785-364-3711
Hoxie	Bainter Oil Service, Inc.	KS	785-675-3903
Hoxie	Co-Ag	KS	785-675-3516
Hoxie	Town & Country	KS	785-675-3265
Hutchinson	Bridgman Oil	KS	620-665-6811
Hutchinson	Farmers Coop (Distribution Center)	KS	
Hutchinson	Ramsey Propane	KS	620-662-3851
Hutchinson	Ramsey Oil Hutchinson	KS	620-662-8365
Independence	Chandler Oil LLC	KS	800-274-4720
Inman	Mid Kansas Coop	KS	620-585-6649
Iola	Hampel Oil	KS	620-365-3621
Iuka	Kanza Cooperative Assn.	KS	620-546-2231
Jetmore	Dodge City Coop	KS	620-357-6414
Kansas City	Hampel Oil	KS	913-321-0139
Kincaid	United Coop, Inc.	KS	620-439-5600
Kingman	Farmer's Coop Elevator	KS	800-525-7490
LaCygne	United Coop, Inc.	KS	913-757-4567
Lansing	Leavenworth County Coop	KS	913-727-1900 or 800-644-1901
Leroy	Epp Service	KS	316-799-2333
Leroy	Leroy Coop	KS	620-964-2225 or 888-964-2225
Lincolnton	Agri-Producers, Inc.	KS	620-732-3315
Lindsborg	Mid Kansas Coop	KS	785-227-3343
Longford	Reed Bulk Fuel Service	KS	785-388-2334
Lyons	Boroughs Oil Co.	KS	620-257-2091
Manhattan	Farmers Coop Association	KS	785-776-9467
Manhattan	Oppys Amoco Service	KS	785-776-9940
Marquette	Mid Kansas Coop	KS	785-546-2214
Marysville	Kramer Oil Co.	KS	785-562-2466

McPherson	Hassman Oil	KS	620-241-3237
McPherson	Mid Kansas Coop	KS	620-241-1885
Medicine Lodge	Dark Oil	KS	620-886-3766
Menlo	Co-Ag	KS	785-855-2256
Minneapolis	D&G Oil	KS	785-392-3031
Moline	Murphy Oil	KS	620-647-3585
Montezuma	ADM Collingwood	KS	620-846-2218
Montezuma	Dodge City Coop	KS	620-846-2231
Moran	Moran Mini Mart	KS	620-237-4245
Mound City	United Coop, Inc.	KS	913-795-2311
Moundridge	Mid Kansas Coop	KS	620-345-6328
Mound Valley	Bartlett Coop Assn.	KS	620-328-2121 or 888-328-2330
Ness City	Right Co-op	KS	800-232-7183
Nickerson	Farmers Coop	KS	800-861-3207
North Newton	Mid Kansas Coop	KS	316-283-1970
Norton	Norton County Coop Assn.	KS	785-877-5131
Nortonville	Ruralgas Co. Inc.	KS	913-886-6420
Oakley	Co Ag	KS	785-672-4371
Oakley	Mitten, Inc.	KS	785-672-3062
Olpe	Murphy Oil	KS	620-475-3449
Osage City	Haskins Conoco & Oil Co.	KS	785-528-3732
Osage City	Home Oil	KS	785-528-4132
Oswego	Bartlett Coop Assn.	KS	620-795-2113 or 877-795-2113
Ottawa	Ottawa Coop	KS	785-242-5170
Overland Park	Carter Petroleum Products, Inc.	KS	913-643-2300
Palmer	Peters Oil Co.	KS	785-692-4540
Parsons	Manners Oil Co.	KS	620-421-5819
Phillipsburg	Rangeland Co-op	KS	785-543-2114
Plainville	Midland Marketing Coop	KS	785-434-4842
Plainville	Turnbull Oil Co.	KS	785-434-4629
Pratt	Hampel Oil	KS	620-672-3743 or 877-479-3343
Quinter	Midwest Cooperative	KS	785-754-3461
Rexford	Co-Ag	KS	785-462-8642
Rush Center	Mid State Farmers Coop	KS	785-372-4239
Sabetha	Berwick Oil	KS	785-284-2227
Salina	Fuel Unlimited	KS	785-823-2331
Seneca	Nemaha County Coop	KS	785-336-6153
Sharon Springs	Wallace County Coop	KS	785-852-4279
Solomon	Klein Fuel Service	KS	785-655-3403
St. John	Hampel Oil	KS	620-549-3324
St. Mary's	Farmers Union Coop Bus. Assn.	KS	785-437-2985
Stockton	Farmers Union Mercantile	KS	785-425-6511
Stockton	Sunflower Supply	KS	785-425-6218
Sublette	Sublette Cooperative Inc.	KS	620-675-2287
Studley	Midwest Cooperative	KS	785-627-4315
Thayer	W-G Fertilizer	KS	620-839-5251
Topeka	Capitol City Oil, Inc.	KS	785-233-8008
Topeka	Haag/Decker Oil, LLC	KS	785-357-0270
Troy	Davies Oil Company, Inc.	KS	785-985-3553
Wakeeney	Midwest Cooperative	KS	785-743-2223
Wakefield	Mason Petroleum	KS	785-461-5684

Walton	Mid Kansas Coop	KS	620-837-3313
Wamego	Wamego Supply, Inc.	KS	785-456-7875
Waterville	Route 77 Corner Store	KS	785-363-2641
Whiting	Parallel Farms, Inc.	KS	785-873-3246
Wichita	Hampel Oil	KS	316-529-1162 or 800-530-5848
Winona	Co-Ag	KS	785-846-7471
Wright	Right Co-op	KS	620-227-8611
Yates Center	Woodson County Coop	KS	620-625-2123
Butler	MFA Oil Company	MO	660-679-5071
Drexel	Bartholomew Oil Co.	MO	816-657-2072
Harrisonville	MFA Oil Company	MO	816-884-4470
Jasper	MFA Oil Company	MO	417-394-2100
Nevada	MFA Oil Company	MO	417-667-3753
Savannah	Andrew Co. Oil	MO	816-324-5654
St. Joseph	MFA Oil Company	MO	816-238-0555
These are suppliers known to us, as of November 7, 2005. Other suppliers may exist that are not known to the Kansas Soybean Commission, and some suppliers may have dropped biodiesel from their product line. For more information, please contact the Kansas Soybean Commission at 800-328-7390.			

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Kansas Biodiesel On-Road Retailers at the Pump					
2% or Higher Blends Available					
Retailer	Address	City	State	Zip Code	Phone No.
Andale Farmer's Coop	219 N. Main	Andale	KS	67001	316-444-2141
Bird Express #203	1000 Main St.	Great Bend	KS	67530	620-792-7579
Bird Oil / Express	251 S. Main St.	Hoisington	KS	67544	620-653-2395
Bob's Inc.	604 Wisconsin	Cawker City	KS	67430	785-454-6219
Capital City Oil (B20 only)	4141 NW Lower Silver Lake Road	Topeka	KS	66618	785-233-8008
Coop Grain & Supply	512 E. D Street	Hillsboro	KS	67063	620-947-3917
Coop Grain & Supply	121 Santa Fe	Hillsboro	KS	67063	620-947-3917
Coop Grain & Supply	404 South 3rd	Marion	KS	66861	620-947-3917
Coop Grain & Supply	113 West Main	Lehigh	KS	67073	620-947-3917
Hillsboro Crop Production	121 Santa Fe	Hillsboro	KS	67063	620-947-3917
Hampel Oil	503 West St.	Iola	KS	66749	620-365-6321
Hampel Oil	921 N. Main	Pratt	KS	67124	620-672-3743 877-479-3343
Hampel Oil	3727 S. West St.	Wichita	KS	67217	316-529-1162 800-530-5848
Home Oil Services, Inc.	501 Main St.	Blue Rapids	KS	66411	800-794-0945
Kramer Oil	1330 E. River Road	Marysville	KS	66508	785-562-2466

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Mid Kansas Coop Retailer	2114 W. Main St. Address	Castleton City	KS State	67501 Zip Code	620-459-6950 Phone No.		
Mid Kansas Coop	112 W. 2nd St.	Haven	KS	67543	620-465-2292		
Midland Marketing	8th & Oak	Hays	KS	67601	785-628-3061		
Midtown, Inc.	919 Morgan	Downs	KS	67437	785-454-6219		
Midwest Propane	430 E. Oak	Columbus	KS	66725	620-429-3098		
Mitten Truck Stop	E. Hwy 40 & I-70	Oakley	KS	67748	785-672-3062 Ext. 10		
LeRoy Coop	505 - 6th Street	LeRoy	KS	66857	620-964-2225 888-964-2225		
Nemaha County Coop	Hwy 63	Corning	KS	66417	785-736-6153		
Nemaha County Coop	223 E. Main St.	Seneca	KS	66538	785-336-6153		
Parallel Farms, Inc.	18648 286 Road	Whiting	KS	66552	785-873-3246		
Scott Co-op Association	410 E. 1st Street	Scott City	KS	67871	620-872-5823		
Route 77 Corner Store	129 W. Main St.	Waterville	KS	66548	785-363-2641		
Wallace County Coop	525 S. Main St.	Sharon Springs	KS	67758	785-852-4279		
Woodson County Coop	700 W. Rutledge	Yates Center	KS	63947	620-625-2123		

These are the suppliers known to us, as of November 3, 2005. Other suppliers may exist that are not known to the Kansas Soybean Commission, and some suppliers may have dropped biodiesel from their product line. Various locations may be cardtrol only. For more information, please contact the Kansas Soybean Commission at 800-328-7390.