

MINUTES OF THE HOUSE AGRICULTURE AND NATURAL RESOURCES BUDGET

The meeting was called to order by Chairman Larry Powell at 1:30 P.M. on March 12, 2007 in Room 235-N of the Capitol.

All members were present except:

Carl Holmes- excused
Jason Watkins- excused
John Grange- excused
Sydney Carlin- excused
Vaughn Flora- excused

Committee staff present:

Julian Efrid, Kansas Legislative Research Department
Mark Griggs, Office of Revisor of Statutes
Lura Attig, Committee Assistant

Conferees appearing before the committee:

Mark W. Taddiken, Senator, 21st District
Duane Simpson, Kansas Association of Ethanol Processors

Others attending:

See attached list.

Hearing on: SB 262 - Motor vehicle purchases by state agencies; E85 fuels.

Mark W. Taddiken, Senator, 21st District addressed the Committee as a proponent of **SB 262** (Attachment 1). This bill deals with requiring the State of Kansas to lease or purchase vehicles with flex-fuel engines when those engines are available in the model type the purchasing agency is shopping for. It was amended in the Senate Agriculture Committee to clarify the bill speaks only to gasoline engines and will not include diesel power vehicles.

The purchase of vehicles with flex-fuel engines by the state may signal the E-85 fuel market that Kansas is serious about promoting the use of these fuels and could cause an increase in production of those fuels. This could potentially lower the cost of fuel for our fleets.

It is unclear whether the public will buy E-85 vehicles before Kansas retailers actually have the fuel available.

Duane Simpson, Vice President of Government Affairs for the Kansas Association of Ethanol Processors (Attachment 2). Speaking as a proponent of this bill, Mr. Simpson stated that **SB 262** requires the state to purchase Flex Fuel Vehicles (FFV) if the model of vehicle the state is purchasing is available as an FFV and is not more than \$250 above the standard vehicle price. It also allows the state to purchase an FFV if the cost is more than \$250 above the standard vehicle price. Currently, consumers see little benefit in purchasing an FFV because of the limited number of places to purchase E-85. Low demand for E-85 has limited the number of gas stations willing to install the pumps.

There were no further proponents and no opponents.

Chairman Powell adjourned the meeting at 1:45 PM.

STATE OF KANSAS



TOPEKA

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JOINT COMMITTEE ON SPECIAL
CLAIMS AGAINST THE STATE
LEGISLATIVE EDUCATIONAL
PLANNING

TESTIMONY IN SUPPORT OF SENATE BILL 262

March 12, 2007

HOUSE AGRICULTURE and NATURAL RESOURCES
BUDGET COMMITTEE

by Senator Mark Taddiken

Thank you Chairman Powell and Committee members for this opportunity to visit with you today regarding Senate Bill 262.

SB 262 deals with requiring the State of Kansas to lease or purchase vehicles with flex-fuel engines when those engines are available in the model type the purchasing agency is shopping for. It was amended in the Senate Agriculture Committee to clarify the bill speaks only to gasoline engines and did not include diesel power vehicles.

Currently we face the age old chicken and egg scenario, about which comes first - the chicken or the egg. To a large extent we have that same situation with flex-fuel vehicles and E-85 retail stations. Will retailers install E-85 pumps before the vehicles are on the road or will the public buy E-85 vehicles before the fuel is available?

Testimony on SB 262
March 12, 2007 - Page two

It is time to have 85% ethanol fuel more readily available in our retail fuel outlets. The purchase of these vehicles by the state of Kansas will send a signal to the market that Kansas is serious about promoting the use of E-85 fuels.

Depending on which scenario you assume, ethanol production in the next two years could increase to the point that ethanol could be significantly lower in price than gasoline. If that happens, having more E-85 vehicles in the state fleet could potentially lower the cost of fuel for our fleets.

The policy in this bill is an important piece of our overall goal of reducing our dependence on foreign oil while providing jobs and income in Kansas.

I respectfully request your favorable consideration of SB 262.

Mr. Chairman, thank you for this opportunity and I will try to answer your questions at the appropriate time.



Ethanol - Made in Kansas

Association Of Ethanol Processors

Statement in Support of SB 262
House Agriculture and Natural Resources Budget Committee
Larry Powell, Chair
March 12, 2007

Thank you, Mr. Chairman and Members of the House Agriculture and Natural Resources Budget Committee, for this opportunity to testify in support of SB 262. My name is Duane Simpson; I am the Vice President of Government Affairs for the Kansas Association of Ethanol Processors. KAEP is the trade association that represents ethanol plants and their affiliated industries in the state.

SB 262 requires the state to purchase Flex Fuel Vehicles if the model of vehicle the state is purchasing is available as an FFV and is not more than \$250 above the standard vehicle price. It also allows the state to purchase an FFV if the cost is more than \$250 above the standard vehicle price. We believe this is a good policy for the state to implement in order to help solve the "Chicken and the Egg" dilemma that currently exists in the FFV market. Currently, consumers see little benefit in purchasing an FFV because of the limited number of places to purchase E-85. Likewise, low demand for E-85 has limited the number of gas stations willing to install the pumps. While tax incentives both to purchase FFVs and to install E-85 pumps have had limited success, we believe that SB 262 will help break the supply and demand problem that currently exists for FFVs and E-85. By creating a demand for E-85 through state vehicle purchases, motor fuel retailers will have more of an incentive to install E-85 pumps which will make it more beneficial for private consumers to purchase FFVs.

The only suggestion we would make is considering a requirement for state employees who drive FFVs to purchase E-85 when it is available. I urge this committee to support SB 262 and will stand for questions at the appropriate time.

House Agriculture & Natural
Resources Budget Committee
Date 03-12-07
Attachment # 2