

## Department of Planning and Budget 2007 Fiscal Impact Statement

**1. Bill Number** HB3089

**House of Origin**    ☐ Introduced    ☐ Substitute    ☐ Engrossed

**Second House**    ☐ In Committee    ☐ Substitute    ☒ Enrolled

**2. Patron**        Nutter

**3. Committee**    Passed Both Houses

**4. Title**            Biofuels Incentive Grant Program; production eligibility.

**5. Summary/Purpose:** This bill lowers the eligibility requirement of the volume of biofuels produced and sold from 10 million gallons to two million gallons per calendar year for a producer to be eligible for a grant. The bill also amends the definition of producer to include any agricultural cooperative association, as defined in the Agricultural Cooperative Association Act (§ 13.1-312 et seq.).

**6. No Fiscal Impact**

**7. Budget amendment necessary:** No.

**8. Fiscal implications:** This bill lowers the threshold for eligibility for a Biofuel Production Incentive Grant from producing 10 million additional gallons in a year, to producing two million additional gallons in a year. Qualified producers who began production after January 1, 2007 may apply to receive a grant equal to \$.10 for each gallon of neat biofuels sold for the calendar year. Qualified producers producing neat biofuels prior to January 1, 2007 may apply to receive a grant equal to \$.10 a gallon for each gallon produced in the calendar year, only if its production of neat biofuels exceeds the previous year's production by at least two million gallons, and if it maintains production at a minimum of this level in future years. The Department of Mines, Minerals and Energy (DMME) reports that no producers presently meet the current 10 million additional gallon threshold. DMME is unsure how many producers would be eligible for grants if the threshold is reduced to 2 million additional gallons as this bill stipulates. The Appropriation Act currently lists \$1.0 million in Item 115 B., the Biofuels Production Fund (the Fund), for the allocation of these grants. Should applications for grants exceed the current \$1.0 million allocated in the Fund, the bill states that grant payments be apportioned among the applicants pro rata based upon the total qualifying gallons of neat biofuels sold in the respective calendar year by all such eligible producers. DMME estimates that the current level of neat biofuel production should not result in applications for this year that require grants exceeding the \$1.0 million already in the Fund.

This bill also amends the definition of "producer" to include any agricultural cooperative associations. DMME predicts that this change in definition will not significantly impact the grant program.

**9. Specific agency or political subdivisions affected:** Department of Mines, Minerals and Energy.

**10. Technical amendment necessary:** Line 24, strike “312,” insert “313.”

**11. Other comments:** As grants from the Fund are equal to \$.10 for each gallon produced, an overall grant awarding for more than 10 million gallons will require additional appropriations for resources to remain in the Fund. DMME predicts a future production capacity that may exceed this grant allowance level of 10 million gallons, as they report the possibility of new plants reaching full development as soon as CY 2007 who may produce above 10 million gallons a year.

**Date:** 2/21/07 / aek

**Document:** G:\2007 Fiscal Impact Statements\HB3089ER.Doc

cc: Secretary of Commerce and Trade