Department of Planning and Budget
2014 Fiscal Impact Statement

1. **Bill Number:** HB1025

House of Origin	☐ Introduced	☒ Substitute	☒ Engrossed
Second House	☐ In Committee	☐ Substitute	☐ Enrolled

2. **Patron:** Ingram

3. **Committee:** Appropriations

4. **Title:** Biofuels Production Incentive Grant Program.

5. **Summary:** Repeals the scheduled expiration of the Biofuels Productions Incentive Grant Program and the Biofuels Production Fund, which is currently January 1, 2017. The bill does not establish a new expiration date but provides that no such grants will be paid for biofuels sold on or after July 1, 2017. This bill modifies the grant program by providing that both producers of advanced and non-advanced biofuels shall be eligible for a grant of $0.04 per gallon for sales to customers in calendar year 2014, $0.03 per gallon for sales to customers in calendar year 2015, and $0.025 per gallon for sales to customers in calendar year 2016 and for the period January 1, 2017, through June 30, 2017. However, the bill caps the total amount of grants awarded to no more than $1.5 million. It also allows biofuels produced using cereal grains to be eligible for the production grant. This bill would require a producer to make a good faith effort to produce using biofuels from feedstock not derived from corn and would prevent grants from being awarded for biofuels during or after 2016 produced using a corn-based feedstock. Any producer of biofuels that received a grant under the Clean Manufacturing Incentive Grant Program may not receive a grant under the Biofuels Productions Incentive Grant Program.

6. **Budget Amendment Necessary**: Indeterminate. See item 8, below.

7. **Fiscal Impact Estimates:** Preliminary. See item 8, below.

8. **Fiscal Implications:** This bill proposes that producers of advanced biofuels would be eligible to receive a grant in the amount of $0.04 per gallon for sales to customers in calendar year 2014, $0.03 per gallon for sales to customers in calendar year 2015, and $0.025 per gallon for sales to customers in calendar year 2016 and for the period January 1, 2017, through June 30, 2017. There is currently one facility in the state that would, once the facility begins production, qualify for the grant program. The nameplate capacity for the facility is approximately 65 million gallons per year (MGY). If the currently existing facility produces at nameplate capacity and the cap in the bill was removed, then the producer would be eligible for a grant of up to $2.6 million in FY 2015, $1.95 million in FY 2016, $1.625 million in FY 2017 and $812,500 in FY 2018, for production between January 1, 2017, and June 30, 2017. However, the bill caps the total amount of approved grants at $1.5 million in fiscal years 2015, 2016, and 2017. It is unclear when the facility may begin producing

biofuels, however the Department of Mines, Minerals, and Energy (DMME) estimates that the facility could ramp-up production to nameplate capacity within six months to one year.

Grants would be paid out of the Biofuels Production Fund, which is subject to appropriation. Currently, the fund is not capitalized. This bill does not identify a dedicated funding source for the fund; therefore, a budget amendment will be needed to capitalize the fund before any grants could be awarded.

Given that there is only one facility currently in the state that would be eligible to apply for and receive grant payments, DMME anticipates that it would be able to manage the grant application and award process using existing resources. The state and local tax revenue the facility referenced above may generate is unknown.

9. **Specific Agency or Political Subdivisions Affected:** Department of Mines, Minerals, and Energy.

10. **Technical Amendment Necessary:** Yes. Line 65, strike "2014-2015, 2015-2016, and 2016-2017" and insert "2015, 2016, and 2017".

11. **Other Comments:** An eligible producer may receive grants for qualifying sales made for up to six calendar years. Also, the bill provides that no grants shall be paid for biofuels sold on or after July 1, 2017.

    The bill provides that producers would be eligible to receive grants for production during given calendar years. Grant payments would likely be made the first half of the following calendar year. For example, grants for production in calendar year 2014 would be paid out in the first half of 2015, placing the fiscal impact of the grants in FY 2015.