

Department of Planning and Budget 2009 Fiscal Impact Statement

1. Bill Number: SB1186

House of Origin X Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. Patron: Hanger

3. Committee: Agriculture, Conservation and Natural Resources

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

5. Summary: This bill amends the existing Biofuels Production Incentive Grant Program by distinguishing between next generation cellulosic biofuels that are made from winter cover crops, cellulose, hemicellulose, lignin oil, and algae, and standard biofuels that may be made from agricultural feedstocks. The program will award a \$0.10 per gallon grant for cellulosic biofuels and a \$0.075 per gallon grant for standard biofuels for each gallon of neat biofuels sold in the calendar year beginning with calendar year 2008. To be eligible in any given calendar year, companies must produce one million gallons of neat biofuels, and companies producing neat biofuels prior to January 1, 2008 shall be eligible only if its production exceeds calendar year 2007 production level by at least one million gallons.

6. Fiscal Impact Estimates: Indeterminate, see Item 8.

7. Budget Amendment Necessary: No.

8. Fiscal Implications: This bill amends an existing program to expand eligibility to companies producing cellulosic neat biofuels, lowers the threshold for eligibility from two million gallons, to one million gallons, and decreases the grant award for noncellulosic biofuels from \$0.10 per gallon, to \$0.075 per gallon.

This program, administered by the Department of Mines, Minerals and Energy (DMME), is currently unfunded, and has no outstanding obligations. DMME reports that there are currently no companies that would be eligible for grant awards according to the provisions of this bill, and so no funding would be needed for the current biennium. However, this bill expands the eligibility for grant awards, therefore creating possible future funding obligations.

Several companies are currently producing biodiesel in the Commonwealth, but none currently meet the one million gallon production level that this bill mandates. These companies were producing biofuels prior to January 1, 2008, and so according to the provisions of this bill, would need to produce one million gallons above their calendar year 2007 level of production in order to qualify for a grant.

DMME reports that demand for biofuels has not risen to a level to promote production at the levels required to be eligible for grants. However, with the lowered threshold that this bill

creates, and with efforts being made at a state and local level to encourage the purchase of biofuels, this demand could increase. In this case, DMME predicts that four or five more companies may begin production in the Commonwealth and become eligible for grant awards within the next six years.

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

10. Technical Amendment Necessary: No.

11. Other Comments: This bill is identical to the introduced version of HB2001.

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cc: Secretary of Commerce and Trade