

SESSION OF 2025

**SUPPLEMENTAL NOTE ON SUBSTITUTE FOR HOUSE
BILL NO. 2012**

As Recommended by House Committee on
Agriculture and Natural Resources

Brief*

Sub. for HB 2012 would establish the Ethanol Grant Program Fund (Grant Fund) to provide reimbursement grants to retailers of higher ethanol blend fuels, establish the Ethanol Grant Program (Grant Program), and require the Secretary of Agriculture (Secretary) to administer the Ethanol Grant Program.

Definitions

The bill would define the terms “motor vehicle” and “person” and the following terms:

- “Higher ethanol blend” would mean fuel with 15 percent to 85 percent ethanol, capable of being dispensed directly into motor vehicle fuel tanks;
- “Retailer” would mean a person who engages in the business of selling motor fuels to the end user at a retail service station; and
- “Retail service station” would mean a location in Kansas from which higher ethanol blend is sold to the general public and is dispensed directly into motor vehicle fuel tanks for consumption.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <https://klrd.gov/>

Ethanol Grant Program Fund

The bill would establish the Grant Fund in the State Treasury and would require, on July 1, 2026, and each July 1 thereafter, or as soon as the moneys are available, a transfer of \$5.0 million from the State General Fund (SGF) to the Grant Fund. The Grant Fund would be administered by the Secretary.

The bill would cap the annual expenditures from the Grant Fund at an amount not to exceed \$5.0 million, including no more than \$50,000 that could be used to cover administration costs.

On the date of the annual transfer, the bill would require the transfer amount to be decreased by the amount of the remaining balance in the Grant Fund. This amount would be certified to the Director of Accounts and Reports by the Secretary in consultation with the Director of the Budget. The bill would require the certification to be submitted to the Director of Legislative Research.

Ethanol Grant Program

The bill would establish the Grant Program in the Kansas Department of Agriculture (KDA) and require the Secretary to administer the Grant Program.

Reimbursement Grants for Retailers

The bill would authorize a retailer to submit an application to the Secretary for reimbursement grants during July of each fiscal year.

The application would be in a form and manner approved by the Secretary and would:

- Include a report of the total number of gallons of higher ethanol blend sold by the retailer during the preceding fiscal year; and
- Be signed and verified by oath or affirmation that the contents of the application are accurate; the signature and verification would be required to be made by the retailer or by a person authorized by the retailer to sign and verify the application.

Fraud or Deception in Receiving Grants

The bill specifies that if the Secretary finds, after notice and hearing conducted in accordance with the Kansas Administrative Procedure Act, that the retailer fraudulently or deceptively obtained or attempted to obtain a grant from the Grant Program, the Secretary would require the retailer to repay the entire amount of the grant reimbursement that was received. The repayment would be in addition to any civil or criminal penalty otherwise allowed by law.

Lump Sum Reimbursement Grant

The bill would require that each August, starting in August 2026, the Secretary would compare the retailer's reported sales of higher ethanol blend over the last two fiscal years. When the report of an applicant's sales for the latter fiscal year shows an increase of sales from the former fiscal year, the Secretary would approve a lump sum reimbursement grant for the applicant at a rate to not exceed \$0.05 per gallon of higher ethanol blend sold in excess of the former fiscal year. The bill would state that no retailer in any fiscal year would be approved for a reimbursement grant exceeding \$500,000.

The bill would require the Secretary to distribute the approved lump sum reimbursement grants beginning on August 31, 2026, and every August 31 thereafter. The reimbursement grant rate established by the Secretary for

each fiscal year would be the same for all approved applicants.

If the total amount of approved reimbursement grants exceeds the total amount transferred to the Grant Fund, the Secretary would be required to prorate the reimbursement grant rate accordingly so that the amount disbursed would not exceed the total amount transferred to the Grant Fund.

Sunset

The provisions of the bill would sunset on September 1, 2030, upon which the Director of Accounts and Reports would transfer any remaining moneys in the Grant Fund to the SGF and transfer all liabilities of the Grant Fund to be imposed on the SGF.

Background

The bill was introduced by the House Committee on Taxation at the request of a representative of POET Biofuels.

House Committee on Taxation

In the House Committee hearing on January 27, 2025, **proponent** testimony was provided by Representative Rahjes and representatives of Fuel True; ICM, Inc.; Jump Start Stores, Inc.; Kansas Corn Growers Association; Kansas Soybean Association; POET Biofuels; Renew Kansas Biofuels Association; and a private citizen who farms in Republic County. The proponents generally discussed the benefits of promoting the use of higher ethanol blend fuel.

Written-only proponent testimony was provided by representatives of Clean Fuels Alliance America; Growth Energy; Kansas Cooperative Council; Kansas Farm Bureau; Kansas Sorghum Producers; Western Plains Energy, LLC; and a private citizen.

No other testimony was provided.

On January 30, 2025, the bill was withdrawn from the House Committee on Taxation and referred to the House Committee on Agriculture and Natural Resources.

House Committee on Agriculture and Natural Resources

In the House Committee hearing on February 13, 2025, **proponent** testimony was provided by representatives of Kansas Corn Growers Association; Jump Start Stores, Inc.; POET Biofuels; and Renew Kansas Biofuels Association. The proponents generally stated that higher ethanol blend fuel would decrease the price for end-user consumers and the bill would promote investment of infrastructure needed to sell this type of fuel to allow more consumers to obtain access to it.

Written-only proponent testimony was provided by representatives of Kansas Cooperative Council; Jump Start Stores, Inc.; ICM, Inc.; Kansas Farm Bureau; Growth Energy; Fuel True Independent Energy and Convenience; and the Kansas Association of Counties.

No other testimony was provided.

On March 6, 2025, the House Committee amended the bill to:

- Change a tax credit for higher ethanol blends to a reimbursement grant program for higher ethanol blends; and
- Remove higher ethanol blend distributors from the bill.

The House Committee recommended a substitute bill be passed.

Fiscal Information

According to the fiscal note prepared by the Division of the Budget on the bill, as introduced, the Kansas Department of Revenue (KDOR) indicates that it does not have data on retail sales of qualifying higher ethanol blend fuel to accurately estimate the fiscal effect of the bill. If the new credit is fully utilized, the bill would reduce State General Fund (SGF) revenues by \$5.0 million per tax year beginning in tax year 2026 or FY 2027.

KDOR indicates that the bill would require \$219,111 from the SGF in FY 2026 to implement the bill and to modify the automated tax system. The bill would require KDOR to hire 1.00 new Customer Service Representative FTE position to answer questions from taxpayers. KDOR estimates that ongoing expenses for salaries and wages for the 1.00 new FTE position would total \$72,182 from the State General Fund in FY 2027. The required programming for this bill by itself would be performed by existing staff of KDOR. In addition, if the combined effect of implementing this bill and other enacted legislation exceeds KDOR's programming resources, or if the time for implementing the changes is too short, additional expenditures for outside contract programmer services beyond KDOR's current budget may be required. Any fiscal effect associated with enactment of HB 2012 is not reflected in *The FY 2026 Governor's Budget Report*.

Ethanol Grant Program Fund; Ethanol Grant Program; higher ethanol blend fuel