



## **Renew Kansas Biofuels Association**

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To: **Special Committee on Economic Recovery**  
From: **Randy Stookey, Senior Vice President of Government Affairs**  
Date: **November 16, 2020**  
Re: **Impact of COVID-19 Pandemic on Kansas Biofuels Industry**

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Chairperson Lynn and members of the Committee, thank you for the opportunity to provide testimony today. These comments are submitted on behalf of Renew Kansas Biofuels Association (Renew Kansas), the trade association of the Kansas biofuels industry. Renew Kansas' mission is to protect and promote the biofuels industry, and demonstrate the positive impacts of biofuels on the Kansas economy.

The Kansas biofuels industry includes processors of ethanol, biodiesel and renewable diesel. Ethanol is a high quality component in vehicle fuel made from corn and grain sorghum. Nearly every gallon of gasoline sold in the United States today contains at least 10% ethanol. Biodiesel is an advanced biofuel made from soybeans that is used as pure fuel or as a blend with petrodiesel. Biodiesel blends of up to 20 percent may be used in almost any diesel engine with no engine modification. Kansas has 11 ethanol processing plants, one biodiesel facility, and one renewable diesel facility.

Kansas' biofuel industry provides high quality jobs for plant workers in rural communities across our state, and generates nearly \$4 billion in annual economic activity. Each biofuel processing facility employs an average of 45 people with an average salary of over \$59,000. It is estimated that the U.S. ethanol industry supports 71,000 direct jobs, 294,000 indirect jobs, and in 2018 generated \$46 billion to the U.S. gross domestic product.

Biofuel production directly benefits Kansas farmers by increasing the demand and local prices for corn, sorghum, and soybeans. Producing more than 600 million gallons of ethanol each year, Kansas ethanol plants utilize 27 percent of the state's corn crop and 30 percent of the state's grain sorghum. Kansas also produces 60 million gallons of biodiesel annually.

### **Effects of the Pandemic on the Kansas Biofuels Industry**

Like other industries, Kansas' farmers and biofuel producers have felt the economic impact of the coronavirus. Early on, the pandemic shut down normal activities and people began to work from home. In addition, state travel restrictions caused people to stop driving. This drastically decreased consumer demand for vehicle fuels, which drove down the price of biofuels and agricultural commodities. As a result, each of Kansas' 11 ethanol plants greatly decreased production, and two plants stopped production entirely.

Nationally, between March and June, ethanol consumption declined more than 1.3 billion gallons, and ethanol processors purchased nearly 500 million fewer bushels of corn. The pandemic has led to an estimated \$3.4 billion in lost revenues for the U.S. ethanol industry, and total damages to the US ethanol industry could reach nearly \$9 billion between 2020 and 2021.

As stated by President and CEO of Renewable Fuels Association, Geoff Cooper, “In late April, more than half of the ethanol industry’s production capacity was shut down. The idling of dozens of ethanol plants reverberated throughout rural America and sent ripple impacts across the farm economy.”

### **Options for Economic Recovery**

The negative impact to the biofuels industry caused the industry to seek federal assistance, and some in the industry were able to receive assistance through the widely-used Paycheck Protection Program. However, additional economic assistance specifically for the biofuels industry has not developed.

In reviewing possible options for economic recovery at the state level, Renew Kansas discussed the following possibilities with other stakeholders:

- **Unemployment Insurance.** As employers, biofuel facilities pay into the state unemployment insurance (UI) program. At times like these, when some facilities have been forced to temporarily close, it is imperative that our state UI program remain healthy. We recommend using a portion of the federal CARES funding to help shore up the solvency our state UI program.
- **Avoid Tax Increases.** When the legislature reconvenes in January 2021, it is likely to find the state in a difficult financial position. As was discussed previously, our industry is struggling greatly to continue operating, and cannot afford additional overhead costs such as taxes. For this reason, we ask the Legislature to find ways to balance the state budget without increasing taxes.
- **Exempt PPP Loans from State Income Tax.** Certain biofuel facilities received federal Paycheck Protection Program loans to help retain employees and pay other expenses while the facility was shut down or at reduced production. It is important to ensure that these loans remain exempt from state income tax.
- **Economic Recovery Linked Deposit Loan Program.** Last session, Renew Kansas joined other stakeholders in support of the Economic Recovery Linked Deposit Loan Program in Senate Sub for House Bill 2619. This bill would create a new lending option for businesses in response to the economic downturn caused by the COVID-19 pandemic. This program would have made up to \$60 million available for low-interest business loans. Similar programs in surrounding states have proven very successful.
- **Business Shutdowns.** Last spring, the Governor’s “safer in place” emergency orders exempted certain essential services as “critical infrastructure,” as identified by the Department of Homeland Security. This statewide list of essential services worked well for a limited number of industries. However, local authorities were then allowed to define their own essential services. This created inconsistency across the state and an untenable environment to conduct business. Moving forward, we would encourage the Legislature to allow all businesses to remain open that are able to demonstrate use of safe practices, similar to the system set forth last spring in Senate Sub for House Bill 2054.

Thank you for allowing us the opportunity to testify today.