

# HOUSE RESEARCH

## Bill Summary

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**Version:** First Engrossment

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**Subject:** Ethanol Producer Payments and Rural Development

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### Overview

The ethanol producer payment program begun in 1986,<sup>1</sup> and modified by numerous amendments over the past 19 years, established a stream of General Fund money to ethanol production plants in the state. Under the law as currently written, ethanol producers are eligible for producer payments for only the first ten years after a plant (or unit of capacity within a plant) goes on line. The ethanol producer payment program has been closed to new plants for nearly five years (a plant that was not in production by June 30, 2000, is not eligible for the program). Several plants are at or near the end of their ten-year eligibility for payments, so the total cost of the state subsidy to ethanol is declining through time. The entire ethanol producer payment program is scheduled to terminate on June 30, 2010. House File 1560 would maintain the stream of revenue currently being used for ethanol producer payments at the level paid out in fiscal year 2005 (\$21,428,000), but would redirect those resources to grants for the installation of E85 fuel dispensing equipment and to support other forms of "rural economic infrastructure."

**1**      **Definitions; ethanol producer payment program.** New definitions are added to existing

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<sup>1</sup>Laws of Minnesota 1986, First Special Session, chapter 1, article 8, section 1.

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law including "E85 fuel dispensing equipment" and "rural economic infrastructure."

**2 Ethanol producer payments.** New paragraphs are added to require that any amount of the general fund appropriation in a fiscal year that is not needed for scheduled or deferred ethanol producer payments may be used as grants for up to 75 percent of the cost incurred for the installation of E85 dispensing equipment. If there is still additional appropriated money available, it may be used by the commissioner for payments to producers of rural economic infrastructure.

**3 Establishment of base-level funding.** The appropriation made by the legislature in 2003 for ethanol producer payments in fiscal year 2005 (\$21,428,000) is established as the base funding level for value-added agriculture programs in fiscal year 2006 and thereafter.

**4 Effective date.** Sections 1 to 3 are effective the day following final enactment.