

BILL ANALYSIS

H.B. 777
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Agriculture & Livestock
Committee Report (Amended)

BACKGROUND AND PURPOSE

Ethanol production is an industry of increasing significance in the United States. Over twenty states have either producer incentive programs in place or other incentives in the form of tax exemptions. In order for Texas to compete effectively in this burgeoning industry, an incentive program is needed. The use of nontoxic ethanol could help to preserve clean water, maintain clean air achievements in ozone non-attainment areas, contribute to ruraleconomic development, and provide an additional market for feedgrain producers. This bill requires the Texas Department of Agriculture (Department) to provide by rule, grant funds to producers of fuel ethanol and biodiesel as an incentive for the development of the renewable fuel industry in Texas.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the Texas Department of Agriculture in SECTION 16.006, Agriculture Code, Title 2, of this bill.

ANALYSIS

H.B. 777 creates a new Chapter 16 in Title 2 of the Agriculture Code and establishes definitions of Account, ASTM, Biodiesel, Fuel Ethanol, and Producer.

The bill states that to be eligible to receive grants for fuel ethanol or biodiesel produced in a plant, a producer must register with the Texas Department of Agriculture, showing that the plant is capable of producing fuel ethanol or biodiesel, that it is a permanent fixture and the producer has made a substantial investment of resources in this state, in conjunction with the plant. The bill sets forth monthly reporting requirements. The bill establishes the fuel ethanol and biodiesel production account, composed of fees and money transferred from the general revenue fund. The bill imposes a fee on producers of 3.2 cents for each gallon of fuel ethanol or biodiesel produced in each registered plant and sets limits on the amount of fees the Department may assess on producers.

H.B. 777 establishes a grant program that the Department must administer to qualifying producers. A producer is entitled to receive a 20 cent per gallon grant for each gallon of fuel ethanol or biodiesel produced by each registered plant. Producers may not receive incentives for more than 18 million gallons produced annually at any one plant and incentives will cease on the 10th anniversary of the start of production. The Department is required to make grants at least quarterly. If the Department determines the amount of money credited to the account is not sufficient enough to distribute the full amount to all eligible producers equally, they shall proportionately reduce the amount of each grant as necessary.

EFFECTIVE DATE

September 1, 2003.

EXPLANATION OF AMENDMENTS

Committee Amendment No. 1 adds a new Section 2 and renumbers subsequent sections accordingly.

Under the new Section 2, the comptroller of public accounts is prohibited from making transfers from general revenue to the Fuel Ethanol and Biodiesel Production Account during the fiscal biennium ending August 31, 2005, created in Section 1 of the measure.