

Section 5.1 Policy and Program Recommendations

- 1. Encourage State agencies currently administering biofuel incentives to coordinate an internal program review of existing biofuel incentives and report to Legislative Committees on both the effectiveness and potential problems, inefficiencies.**

Note: This recommendation is also listed in Section 5.2.

Description

Since 2001, the Kansas Legislature has passed various incentives to promote the state's production and use of biofuels. As each tax credit, incentive, or other policy became law, State agencies—specifically, the Kansas Corporation Commission (KCC), the Kansas Department of Commerce (Commerce), and the Kansas Department of Revenue (Revenue)—were tasked with establishing rules and regulations and then implementing these various programs. Because most of these incentive programs were enacted in the past two years, information is lacking to determine whether they are achieving their intended purposes.

The KCC, Commerce, and Revenue should conduct reviews of those incentive and credit programs they administer.¹ The findings over the course of the review period would be compiled by Commerce and reported to the Kansas Legislature, along with any program design problems or inefficiencies as seen on the administrative level.

Reports will be made to the appropriate legislative committees at the beginning of each Legislative session. There will be no fiscal note associated with this recommendation; the only cost to implementation will be the labor hours associated with composing and reporting notes on the programs.

The resulting dialogue between the Legislature and agencies will provide essential information of the effectiveness of these incentives and allow for needed improvements or eliminations.

Recommended Actions

a. Responsible parties

The Department of Commerce and Department of Revenue. Commerce will administer review and compile report for all three agencies.

¹ Among the programs to be reviewed are the Biomass-to-Energy Plant Tax Credit (Commerce), Coal or Coke Gasification Nitrogen Fertilizer Plant Tax Credit (Commerce), Renewable Electric Cogeneration Facility Tax Credit (Commerce), Storage and Blending Equipment Tax Credit (Commerce), Ethyl Alcohol Production Incentive (Revenue), Biodiesel Fuel Producer Incentive (Revenue), Alternative-Fuel Fueling Station Tax Credit (Revenue), Kansas Retail Dealers Incentive Fund (Revenue), Waste Heat Utilization System Tax Credit and Deduction (Revenue).

b. Legislative action

None is required.

c. Budget requirements

No additional State funding is needed.

d. Implementation timeline

The initial review of state biofuel incentive programs will commence immediately upon passage of the recommendation and an initial review of programs being administered will be delivered to the Legislature during the 2008 session. Additional information will be provided on an annual basis as programs are added, modified, and terminated.

Implications of Proposal**a. Pros**

- i. Promotes information sharing between agencies that administer biofuel programs, and could foster additional coordination efficiencies.
- ii. Increases the knowledge and awareness of legislators in regards to the effectiveness of past policies.
- iii. Increases the chances of pursuing effective policies in the future based on agency and consumer demand and commentary.
- iv. Decreases the chances of implementing ineffective policies in the future.
- v. Provides the Legislature with a recommended, structured reason to break from creating new policy that will allow for a study the effectiveness and resource allocations of existing programs.

b. Cons

- i. Requires a time commitment from state agency staff to gather information and coordinate for presentation to the Legislature.
- ii. May not provide an accurate portrayal of current or future markets and future demand for resources as the evaluation will be looking at existing data and past concerns. The exercise will not provide projections of future activity.