

## **BILL ANALYSIS**

Senate Research Center

H.B. 788  
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Natural Resources  
5/11/2001  
Engrossed

### **DIGEST AND PURPOSE**

Methyl Tertiary Butyl Ether (MTBE) is a gasoline additive that has contributed to lower ozone levels but constitutes a threat to water supplies and public health, causing several states to ban MTBE. A viable oxygenate alternative is ethanol. The use of nontoxic ethanol could help to: preserve clean water, maintain clean air achievements in ozone non-attainment areas, contribute to rural economic development, and provide an additional market for feedgrain producers. To promote ethanol use, several states have instituted producer payments which range from \$0.20 to \$0.40 per gallon. While a payment of less than \$0.20 could keep Texas grain ethanol in production, a higher producer incentive encourages ethanol production from alternative sources, and places Texas producers in a better position from which to compete with out-of-state producers who also receive payments. H.B. 788 establishes producer incentives for the production of ethanol and biodiesel.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the Department of Agriculture in SECTION 1 (Section 16.002, Agriculture Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

H.B. 788 amends the Agriculture Code to require the Department of Agriculture (department) to provide by rule for the distribution, no less often than quarterly, of grant funds to producers of fuel ethanol and biodiesel as an incentive for the development of the fuel ethanol and biodiesel industry. The bill provides that to be eligible for a grant, a producer must apply to the department for the registration of the plant. The bill sets forth qualification requirements for the plant and requires the department to register all qualified plants. The bill provides that, until the 10th anniversary of the date production of the plant begins, a producer is entitled to receive 20 cents for each gallon of fuel ethanol or biodiesel produced in the plant. The bill establishes the fuel ethanol and biodiesel production account, composed of money transferred by the legislature from the general revenue fund. The bill requires a producer to report monthly to the department and prohibits a producer from receiving grants for more than 15 million gallons of fuel at any one registered plant in each fiscal year. A producer who fails to submit a report is ineligible to receive a grant for the period in which the report was not filed. If the department determines that the amount of money credited to the account is not sufficient to distribute the full amount of grant funds to eligible producers for a fiscal year, the department is required to proportionately reduce the amount of each grant for each gallon of fuel ethanol or biodiesel produced as necessary to continue the incentive program during the remainder of the fiscal year.

Effective date: upon passage or September 1, 2001.