

# HOUSE BILL REPORT

## HB 2550

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### As Reported by House Committee On: Capital Budget

**Title:** An act relating to amending the 2005-2007 capital budget.

**Brief Description:** Amending provisions of the 2005-2007 capital budget.

**Sponsors:** Representatives Dunshee, Jarrett, Ormsby, Newhouse, Ericks, Cox, Linville and Springer.

#### **Brief History:**

##### **Committee Activity:**

Capital Budget: 1/16/06, 1/18/06 [DPS].

#### **Brief Summary of Substitute Bill**

- Amends the 2005-07 Capital Budget to include a new Energy Freedom Program within the Department of Community, Trade, and Economic Development.
- Appropriates \$9 million for low-interest loans to four political subdivisions for the development of biofuel oilseed crushers, supporting infrastructure, and facilities.
- Provides legislative intent on the development of a Washington biodiesel industry based on Washington grown oilseed.

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### HOUSE COMMITTEE ON CAPITAL BUDGET

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by Representatives Dunshee, Chair; Ormsby, Vice Chair; Jarrett, Ranking Minority Member; Hankins, Assistant Ranking Minority Member; Blake, Chase, Cox, Eickmeyer, Ericks, Ericksen, Green, Hasegawa, Kretz, Kristiansen, Lantz, McCune, Moeller, Morrell, Newhouse, O'Brien, Roach, Schual-Berke, Serben, Springer, Strow and Upthegrove.

**Staff:** Susan Howson (786-7142).

#### **Background:**

The programs and agencies of state government are funded on a two-year basis, with each biennium beginning on July 1 of each odd-numbered year. The Capital Budget includes appropriations for the acquisition, construction and repair of capital assets such as state office buildings, prisons, juvenile rehabilitation centers, residential habilitation centers, mental health

facilities, public health facilities, military readiness centers, and higher education facilities. The Capital Budget also funds a variety of environmental and natural resource projects, parks and recreational facilities, grants for public K-12 school construction, and has a number of grant and loan programs that support housing, public infrastructure, community service facilities, and art and historical projects.

The sources of funding for the Capital Budget primarily are state general obligation bonds, trust revenues, and dedicated fees and taxes.

The 2005-07 Capital Budget adopted in 2005 authorized \$3.25 billion in new capital projects, with \$1.56 billion financed with new state general obligation bonds.

Biodiesel is a non-petroleum diesel fuel produced from vegetable or animal fats. It is commonly produced from oilseed plants such as soybean, mustard, rapeseed, or canola oil, or from recycled vegetable oils. It can be blended at any percentage with petroleum diesel or used as a pure product (neat diesel). The most common blend rate is 20 percent biodiesel, 80 percent petroleum diesel.

Establishing a large-scale oilseed industry in the state will likely require crop production, oilseed crushing facilities, and processing plants. In Washington, potential crops for oilseed production include mustard, rapeseed, and canola. In order to convert an oilseed into vegetable oil, a crusher is used to crush the seed and extract the oil. After the oil is extracted, a processing facility is needed to mix, refine, and blend the oil before it can be ready for use as a diesel fuel.

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### **Summary of Substitute Bill:**

The 2005-07 Capital Budget is amended to include a new Energy Freedom Program within the Department of Community, Trade, and Economic Development (DCTED). An appropriation of \$9 million is made for low-interest loans to four political subdivisions for the development of biofuel oilseed crushers, supporting infrastructure, and facilities. The political subdivision may negotiate appropriate agreements with the bioenergy industry for use of the equipment and facilities. All other project funds must be disbursed prior to energy freedom loans, except where required on a matching basis by other federal or state programs.

The Legislature intends to provide loans for the development of a Washington biodiesel industry based on Washington grown oilseed. The political subdivision must: (1) develop a plan for outreach to local growers and an estimate of when maximum Washington oilseed-based production will be reached; (2) develop a goal to return a portion of the biofuel to local oilseed producers; and (3) report this information to the DCTED by December 1, 2006. The DCTED must report on the implementation of this program to the appropriate committees of the Legislature by January 1, 2007.

The Energy Freedom Account is created in the state treasury. Funds from the account may only be spent after appropriation. Expenditures from the account may be used only for loans

and grants to political subdivisions for renewable energy and biofuel development projects and activities. Future loan repayments from the Energy Freedom Program must be deposited into the account.

**Substitute Bill Compared to Original Bill:**

The \$5 million appropriation from the Public Works Assistance Account is removed. State taxable general obligation bonds are appropriated for the program. The name of the program is changed from the Infrastructure Loan Program to the Energy Freedom Program. The substitute bill outlines the specific provisions of the program. A new appropriated account is created in the state treasury.

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**Appropriation:** The sum of \$9 million from the Taxable State Building Construction Account.

**Fiscal Note:** Requested on January 18, 2006.

**Effective Date of Substitute Bill:** The bill contains an emergency clause and takes effect immediately.

**Testimony For:** (In support of substitute bill) There is great instability in many of the places that import foreign fuel to the United States. Washington needs to work on locally produced fuels that can give us energy freedom. This bill will create jobs in eastern Washington and benefit our environment.

**Testimony Against:** None.

**Persons Testifying:** (In support of substitute bill) Rep. Dunshee, prime sponsor.

**Persons Signed In To Testify But Not Testifying:** None.