

A bill for an act

relating to agriculture; canceling an appropriation; repealing the ethanol producer payment program and the minimum ethanol content requirement; repealing Minnesota Statutes 2006, sections 41A.09, subdivisions 1a, 2a, 3a, 4, 10; 239.791, subdivisions 1, 1a, 10, 11, 12, 13, 14, 15.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. **APPROPRIATION CANCELED.**

The appropriation in Laws 2007, chapter 45, article 1, section 3, subdivision 4, from the general fund to the commissioner of agriculture for ethanol producer payments in fiscal years 2008 and 2009 is canceled.

Sec. 2. **REPEALER.**

Minnesota Statutes 2006, sections 41A.09, subdivisions 1a, 2a, 3a, 4, and 10; and 239.791, subdivisions 1, 1a, 10, 11, 12, 13, 14, and 15, are repealed.

Sec. 3. **EFFECTIVE DATE.**

Sections 1 and 2 are effective the day following final enactment.

41A.09 ETHANOL DEVELOPMENT.

Subd. 1a. **Ethanol production goal.** It is a goal of the state that ethanol production plants in the state attain a total annual production level of:

- (1) 240,000,000 gallons in 2003;
- (2) 300,000,000 gallons in 2004;
- (3) 360,000,000 gallons in 2005 and 2006;
- (4) 420,000,000 gallons in 2007; and
- (5) 480,000,000 gallons in 2008 and subsequent years.

Subd. 2a. **Definitions.** For the purposes of this section, the terms defined in this subdivision have the meanings given them.

(a) "Ethanol" means fermentation ethyl alcohol derived from agricultural products, including potatoes, cereal grains, cheese whey, and sugar beets; forest products; or other renewable resources, including residue and waste generated from the production, processing, and marketing of agricultural products, forest products, and other renewable resources, that:

- (1) meets all of the specifications in ASTM specification D4806-04a; and
- (2) is denatured as specified in Code of Federal Regulations, title 27, parts 20 and 21.

(b) "Ethanol plant" means a plant at which ethanol is produced.

(c) "Commissioner" means the commissioner of agriculture.

(d) "Rural economic infrastructure" means the development of activities that will enhance the value of agricultural crop or livestock commodities or by-products or waste from farming operations through new and improved value-added conversion processes and technologies, the development of more timely and efficient infrastructure delivery systems, and the enhancement of marketing opportunities. "Rural economic infrastructure" also means land, buildings, structures, fixtures, and improvements located or to be located in Minnesota and used or operated primarily for the processing or the support of production of marketable products from agricultural commodities or wind energy produced in Minnesota.

Subd. 3a. **Ethanol producer payments.** (a) The commissioner shall make cash payments to producers of ethanol located in the state that have begun production at a specific location by June 30, 2000. For the purpose of this subdivision, an entity that holds a controlling interest in more than one ethanol plant is considered a single producer. The amount of the payment for each producer's annual production, except as provided in paragraph (c), is 20 cents per gallon for each gallon of ethanol produced at a specific location on or before June 30, 2000, or ten years after the start of production, whichever is later. Annually, within 90 days of the end of its fiscal year, an ethanol producer receiving payments under this subdivision must file a disclosure statement on a form provided by the commissioner. The initial disclosure statement must include a summary description of the organization of the business structure of the claimant, a listing of the percentages of ownership by any person or other entity with an ownership interest of five percent or greater, and a copy of its annual audited financial statements, including the auditor's report and footnotes. The disclosure statement must include information demonstrating what percentage of the entity receiving payments under this section is owned by farmers or other entities eligible to farm or own agricultural land in Minnesota under the provisions of section 500.24. Subsequent annual reports must reflect noncumulative changes in ownership of ten percent or more of the entity. The report need not disclose the identity of the persons or entities eligible to farm or own agricultural land with ownership interests, individuals residing within 30 miles of the plant, or of any other entity with less than ten percent ownership interest, but the claimant must retain information within its files confirming the accuracy of the data provided. This data must be made available to the commissioner upon request. Not later than the 15th day of February in each year the commissioner shall deliver to the chairs of the standing committees of the senate and the house of representatives that deal with agricultural policy and agricultural finance issues an annual report summarizing aggregated data from plants receiving payments under this section during the preceding calendar year. Audited financial statements and notes and disclosure statements submitted to the commissioner are nonpublic data under section 13.02, subdivision 9. Notwithstanding the provisions of chapter 13 relating to nonpublic data, summaries of the submitted audited financial reports and notes and disclosure statements will be contained in the report to the committee chairs and will be public data.

(b) No payments shall be made for ethanol production that occurs after June 30, 2010. A producer of ethanol shall not transfer the producer's eligibility for payments under this section to an ethanol plant at a different location.

(c) If the level of production at an ethanol plant increases due to an increase in the production capacity of the plant, the payment under paragraph (a) applies to the additional

APPENDIX

Repealed Minnesota Statutes: 08-6243

increment of production until ten years after the increased production began. Once a plant's production capacity reaches 15,000,000 gallons per year, no additional increment will qualify for the payment.

(d) Total payments under paragraphs (a) and (c) to a producer in a fiscal year may not exceed \$3,000,000.

(e) By the last day of October, January, April, and July, each producer shall file a claim for payment for ethanol production during the preceding three calendar months. A producer that files a claim under this subdivision shall include a statement of the producer's total ethanol production in Minnesota during the quarter covered by the claim. For each claim and statement of total ethanol production filed under this subdivision, the volume of ethanol production must be examined by an independent certified public accountant in accordance with standards established by the American Institute of Certified Public Accountants.

(f) Payments shall be made November 15, February 15, May 15, and August 15. A separate payment shall be made for each claim filed. Except as provided in paragraph (g), the total quarterly payment to a producer under this paragraph may not exceed \$750,000.

(g) Notwithstanding the quarterly payment limits of paragraph (f), the commissioner shall make an additional payment in the fourth quarter of each fiscal year to ethanol producers for the lesser of: (1) 20 cents per gallon of production in the fourth quarter of the year that is greater than 3,750,000 gallons; or (2) the total amount of payments lost during the first three quarters of the fiscal year due to plant outages, repair, or major maintenance. Total payments to an ethanol producer in a fiscal year, including any payment under this paragraph, must not exceed the total amount the producer is eligible to receive based on the producer's approved production capacity. The provisions of this paragraph apply only to production losses that occur in quarters beginning after December 31, 1999.

(h) The commissioner shall reimburse ethanol producers for any deficiency in payments during earlier quarters if the deficiency occurred because of unallotment or because appropriated money was insufficient to make timely payments in the full amount provided in paragraph (a). Notwithstanding the quarterly or annual payment limitations in this subdivision, the commissioner shall begin making payments for earlier deficiencies in each fiscal year that appropriations for ethanol payments exceed the amount required to make eligible scheduled payments. Payments for earlier deficiencies must continue until the deficiencies for each producer are paid in full.

(i) The commissioner may make direct payments to producers of rural economic infrastructure with any amount of the annual appropriation for ethanol producer payments and rural economic infrastructure that is in excess of the amount required to make scheduled ethanol producer payments and deficiency payments under paragraphs (a) to (h).

Subd. 4. **Rulemaking authority.** The commissioner shall adopt rules to implement this section.

Subd. 10. **Guidelines.** The commissioner shall establish guidelines not subject to chapter 14 for the submission and review of applications and the awarding of grants under subdivision 9.

239.791 OXYGENATED GASOLINE.

Subdivision 1. **Minimum ethanol content required.** (a) Except as provided in subdivisions 10 to 14, a person responsible for the product shall ensure that all gasoline sold or offered for sale in Minnesota must contain at least 10.0 percent denatured ethanol by volume.

(b) For purposes of enforcing the minimum ethanol requirement of paragraph (a), a gasoline/ethanol blend will be construed to be in compliance if the ethanol content, exclusive of denaturants and permitted contaminants, comprises not less than 9.2 percent by volume and not more than 10.0 percent by volume of the blend as determined by an appropriate United States Environmental Protection Agency or American Society of Testing Materials standard method of analysis of alcohol/ether content in engine fuels.

(c) The provisions of this subdivision are suspended during any period of time that subdivision 1a, paragraph (a), is in effect.

Subd. 1a. **Minimum ethanol content required.** (a) Except as provided in subdivisions 10 to 14, on August 30, 2013, and thereafter, a person responsible for the product shall ensure that all gasoline sold or offered for sale in Minnesota must contain at least 20 percent denatured ethanol by volume.

(b) For purposes of enforcing the minimum ethanol requirement of paragraph (a), a gasoline/ethanol blend will be construed to be in compliance if the ethanol content, exclusive of denaturants and permitted contaminants, comprises not less than 18.4 percent by volume and not more than 20 percent by volume of the blend as determined by an appropriate United States

APPENDIX

Repealed Minnesota Statutes: 08-6243

Environmental Protection Agency or American Society of Testing Materials standard method of analysis of alcohol content in motor fuels.

(c) No motor fuel shall be deemed to be a defective product by virtue of the fact that the motor fuel is formulated or blended pursuant to the requirements of paragraph (a) under any theory of liability except for simple or willful negligence or fraud. This paragraph does not preclude an action for negligent, fraudulent, or willful acts. This paragraph does not affect a person whose liability arises under chapter 115, water pollution control; 115A, waste management; 115B, environmental response and liability; 115C, leaking underground storage tanks; or 299J, pipeline safety; under public nuisance law for damage to the environment or the public health; under any other environmental or public health law; or under any environmental or public health ordinance or program of a municipality as defined in section 466.01.

(d) This subdivision expires on December 31, 2010, if by that date:

(1) the commissioner of agriculture certifies and publishes the certification in the State Register that at least 20 percent of the volume of gasoline sold in the state is denatured ethanol; or

(2) federal approval has not been granted for the use of E20 as gasoline. The United States Environmental Protection Agency's failure to act on an application shall not be deemed approval of the use of E20, or a waiver under section 211(f)(4) of the Clean Air Act, United States Code, title 42, section 7545, subsection (f), paragraph (4).

Subd. 10. **Exemption for airport, marina, mooring facility, and resort.** A person responsible for the product may offer for sale, sell, or dispense at an airport, marina, mooring facility, or resort, for use in airplanes or for purposes listed under subdivision 12, paragraph (a), gasoline that is not oxygenated in accordance with subdivision 1 if the gasoline is unleaded premium grade as defined in section 239.751, subdivision 4.

Subd. 11. **Exemption for motor sports racing.** A person responsible for the product may offer for sale, sell, or dispense at a public or private racecourse, gasoline that is not oxygenated in accordance with subdivision 1 if the gasoline is intended to be used exclusively as a fuel for off-highway motor sports racing events.

Subd. 12. **Exemption for collector vehicle and off-road use.** (a) A person responsible for the product may offer for sale, sell, or dispense at a retail gasoline station for use in collector vehicles or vehicles eligible to be licensed as collector vehicles, off-road vehicles, motorcycles, boats, snowmobiles, or small engines, gasoline that is not oxygenated in accordance with subdivision 1 if the person meets the conditions in paragraphs (b) to (e). If the nonoxygenated gasoline is for use in a small engine, it must be dispensed into a can with a capacity of six or fewer gallons.

(b) The nonoxygenated gasoline must be unleaded premium grade as defined in section 239.751, subdivision 4.

(c) No more than one storage tank on the premises of the retail gasoline station may be used for storage of the nonoxygenated gasoline offered for sale, sold, or dispensed by the station.

(d) The pump stands must be posted with a permanent notice stating:
"NONOXYGENATED GASOLINE. FOR USE IN COLLECTOR VEHICLES OR VEHICLES
ELIGIBLE TO BE LICENSED AS COLLECTOR VEHICLES, OFF-ROAD VEHICLES,
MOTORCYCLES, BOATS, SNOWMOBILES, OR SMALL ENGINES ONLY."

This notice must be posted at least two feet above the ground. A retail gasoline station that sells nonoxygenated premium gasoline as defined in section 239.791, subdivision 15, must register every two years with the director, or an entity appointed by the director, on forms approved by the director, the total amount of nonoxygenated premium gasoline sold annually.

Subd. 13. **Exemption for certain riparian landowners.** (a) A person responsible for the product may offer for sale, sell, and deliver directly to a bulk fuel storage tank gasoline that is not oxygenated in accordance with subdivision 1 if the conditions in paragraphs (b) to (e) are met.

(b) The nonoxygenated gasoline must be unleaded premium grade as defined in section 239.751, subdivision 4.

(c) The bulk fuel storage tank must be stationary or permanent.

(d) The bulk fuel storage tank must be under the control of an owner of littoral or riparian property and located on that littoral or riparian property.

(e) The nonoxygenated gasoline must be purchased for use in vehicles that would qualify for an exemption under subdivision 12, paragraph (a).

Subd. 14. **Exemption for aircraft operator.** A person responsible for the product may offer for sale, sell, and deliver directly to a bulk fuel storage tank gasoline that is not oxygenated in accordance with subdivision 1 for use in aircraft if the nonoxygenated gasoline is unleaded premium grade as defined in section 239.751, subdivision 4.

Subd. 15. **Exemption for certain blend pumps.** (a) A person responsible for the product, who offers for sale, sells, or dispenses nonoxygenated premium gasoline under one or more of the

APPENDIX

Repealed Minnesota Statutes: 08-6243

exemptions in subdivisions 10 to 14, may sell, offer for sale, or dispense oxygenated gasoline that contains less than the minimum amount of ethanol required under subdivision 1 if all of the following conditions are met:

- (1) the blended gasoline has an octane rating of 88 or greater;
 - (2) the gasoline is a blend of oxygenated gasoline meeting the requirements of subdivision 1 with nonoxygenated premium gasoline;
 - (3) the blended gasoline contains not more than ten percent nonoxygenated premium gasoline;
 - (4) the blending of oxygenated gasoline with nonoxygenated gasoline occurs within the gasoline dispenser; and
 - (5) the gasoline station at which the gasoline is sold, offered for sale, or delivered is equipped to store gasoline in not more than two storage tanks.
- (b) This subdivision applies only to those persons who met the conditions in paragraph (a), clauses (1) through (5), on August 1, 2004, and registered with the director by November 1, 2004.