Senate approves granting subsidies to ethanol plants

By ALLAN PURSNELL
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Although some lawmakers had qualms about giving money to industry during the state's financial crisis, the Senate agreed Monday to grant up to $60 million in subsidies to ethanol plants during the next year.

The Senate voted 34-4 in favor of a Senate committee version of an ethanol subsidy bill which now goes back to the House for consideration.

The Senate rejected a series of amendments that would have reduced the subsidy.

"I've never seen such much argument over a bill that will do so much for farmers and cattlemen from the Gulf Coast to the Arkansas border," said Sen. Don Kelly, D-Natchitoches.

"Last year I told you I smelled a rat because not the first farmer contacted me on the bill," said Sen. William McLeod, D-Lake Charles, sponsor of one of the unsuccessful amendments to cap the subsidy at $40 million.

McLeod said that, although proponents of the subsidy argue that it will benefit farmers, only lawyers and ethanol producers have lobbied him.

The bill, HB551, authorizes the state to pay up to $60 million to ethanol plants during the next year rather than the $40 million limit favored by the House. That means that ethanol producers might get to keep all or nearly all of the subsidy they now enjoy.

Meanwhile, Edwards told reporters Monday he would sign the Senate version of the bill.

Edwards and others support big incentives to producers of ethanol — the substance added to gasoline to make gasohol — as a way to help Louisiana farmers, who sell excess crops as feed stock for ethanol production.

Gasohol has been exempt from the 16-cents per gallon tax on gasoline. The House and a Senate committee have passed a bill to end the exemption. Another bill approved by a Senate committee would substitute a subsidy program. Every time a motorist buys a gallon of gasohol, he would pay the 16-cent tax but 14 cents of that would be paid to ethanol producers as an incentive to keep making the additive.

The House, in approving HB551 Friday, voted to rebate only 12 cents per gallon to the producers.

The Senate increased the House's $40 million limit on total rebate payments to $60 million.

Agriculture Commissioner Bob Odom has promised that no company will get a rebate unless it buys enough crops from Louisiana farmers to produce its entire supply of ethanol.

The incentive began as a full exemption from state gasoline taxes, meaning that gasohol distributors could sell their product for a higher price to service stations because no tax was levied on it at the pump.

Lawmakers have decided to repeal that law because they fear it might be struck down by the courts as unfair to out-of-state gasohol producers.

The Senate Revenue and Fiscal Affairs Committee on Sunday endorsed the House-passed repeal bill, HB550, by Rep. Claude "Buddy" Leach, D-Leesville, and sent it to the full Senate for final passage.

Across the hallway of the Senate wing at the Capitol, the Finance Committee amended and endorsed the bill that replaces the tax exemption with the rebate.