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U.S. Sugar land deal could put tax hike on the table for S. Fla. Water Management District

01/13/2009

Sun Sentinel - West Palm Beach Bureau
Reid, Andy

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A declining economy could leave state officials facing a politically dicey decision in the \$1.34 billion deal with U.S. Sugar Corp. — either raise taxes or walk away from the largest public land buy in Florida history.

Gov. Charlie Crist has trumpeted his plan to buy 180,000 acres from U.S. Sugar as a historic opportunity to reconnect Lake Okeechobee water flows to the Everglades.

Since the deal was announced in June, the South Florida Water Management District, which leads Everglades restoration, has maintained it could borrow the money without raising taxes to pay off the long-term debt.

But on Monday the district's governing board learned that the agency could see its income cut by as much as \$91 million because of a drop in tax revenues and state funding. In addition, the bills for past land acquisition will come due soon and are

expected to cost the district as much as \$71.5 million per year for three years, officials said.

Factor in the costs of meeting upcoming requirements to improve water quality, and paying for the U.S. Sugar deal could force tax increases, district board member Michael Collins said.

"I don't know what we are looking at other than increased taxes," said Collins, who voted against the accord.

Executive Director Carol Ann Wehle says the district has no plans to push for tax increases. The state Legislature, which oversees the district's budget, avoided tax increases in its proposal to cover a \$2.3 billion deficit.

Wehle is scheduled to appear before a state Senate committee today to discuss district spending at a time of statewide belt-tightening.

"There has never been any support ... for any increase," Wehle said about property taxes. "Just because it's an option doesn't mean that it's something we are recommending."

Instead, to afford yearly debt payments for the U.S. Sugar deal, which are projected to exceed \$100 million, the district proposes to rely on increased borrowing limits, cutbacks to services and potentially putting construction and other land purchases on hold.

The district board on Dec. 16 approved the contract for the \$1.34 billion purchase. The contract allows the district to back out before the September closing deadline if it determines the long-term costs would be too high.

The contract also gives U.S. Sugar two months to shop for a better deal. The agreement faces an early benchmark Thursday, which is the end of the inspection period and one of the opportunities for the district to back out.

Andy Reid can be reached at abreid@SunSentinel.com or 561-228-5504.

Water managers hope to avoid layoffs, tax hikes

01/12/2009

Palm Beach Post - Online

PAUL QUINLAN

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South Florida Water Management District staff today counseled against layoffs or a tax increase, despite the dour economic outlook and plans to spend an unprecedented \$1.34 billion in a land deal with U.S. Sugar Corp. 'I'm sure staff is very nervous about (layoffs),' Executive Director Carol Wehle told the district's board. 'That is not something that management's recommending.'

But Wehle would not go as far as to rule out a tax increase in laying out options to close the gap, which include raiding district reserves. 'Just because it's an option doesn't mean it's something that we're recommending,' Wehle said. District staff predicted that shrinking property tax revenue, new debt and cuts handed down from Tallahassee would add up to a budget hit of between \$37 million and \$61 million this year, or between 7 percent and 11 percent of the district's projected operating budget for next year.

But board member Michael Collins, an Islamorada fishing guide appointed by former Gov. Jeb Bush, deemed the projections too rosy and said the overall budget picture likely would necessitate a tax hike. Gov. Charlie Crist, in touting the sugar deal last year, had pledged that purchasing the 181,000 acres for Everglades restoration would require no such tax increase.

Collins disagreed, noting that the district faces additional expenses to meet a looming 2015 deadline to reduce pollution levels and fulfill commitments in an ongoing pollution lawsuit. 'If those are included, and they're mandated programs, I don't know what else we're looking at, other than to raise taxes.' Because the district contracts out much of its environmental work, service can be reduced without eliminating core staff. 'If we do ramp down in construction ... what will go away is contracts and contractors,' Wehle said.

BLOG: Restoring the Everglades -- moving forward, or back?

01/12/2009

Dateline Earth

Robert McClure

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Restoring the Everglades -- moving forward, or back?

In what seems like a former life, this half of the Dateline Earth team spent about 90 percent of his time writing newspaper stories about the need for restoration of the Florida Everglades. And after about five years of that, the U.S. Army Corps of Engineers launched what has become the world's largest environmental-restoration project there.

While spending much of our time in Rain City prodding the government to take care of Puget Sound, we've also kept an interested eye back over our shoulder to the opposite corner of the Lower 48. (Note that as the incoming Obama administration is figuring out its stimulus package, leaders of both restoration efforts are promoting theirs as ready-to-go "green jobs.")

So we were interested to see that the just-concluded annual meeting of the Everglades Coalition included a keynote address by Florida Gov. Charlie Crist, author of a \$1.34 billion plan to buy out U.S. Sugar's holdings that have long contributed massive amounts of phosphorus pollution to the 'Glades. The idea is to create a more-natural pattern of water flow.

Much of the focus the first decade of Everglades restoration, however, was building huge "stormwater treatment areas," big areas of wetlands where runoff from sugar farms could be cleansed before flowing south into the Everglades.

Here's what Crist had to say in Miami over the weekend:

We are closer than ever before to acquiring the land necessary to restore the natural flow of water from Lake Okeechobee, through Everglades National Park, and to the estuaries of Florida Bay. Together with great organizations like the Everglades Coalition, we are establishing a legacy of protection for the Everglades, for Florida and for generations to come.

But there's another voice that didn't get noticed much in the coverage: That of the people who have loved the Everglades longer than anyone else.

That would be the Miccosukee Indian tribe, now represented by the man who, as a Republican U.S. Attorney in South Florida, filed a lawsuit against the state of Florida that led to the restoration effort. Dexter Lehtinen points out that his fellow Republican Crist stopped construction of a cleansing marsh so the government could divert the funding to the U.S. Sugar buyout.

Lehtinen told Andy Reid of the Sun-Sentinel he considers the whole deal a "bait and switch" that threatens to set the restoration back a decade:

It's stopping restoration. These guys make promises [and] it's always about what they are doing 10 years from now. It's not what they are doing now. They move on and the Everglades keep dying.

More on the Miccosukee's position here .

This seems like a hard one, because restoring natural water flows has always been part of the goal in Everglades restoration -- but so has halting the pollution. This proposal sets the two goals at odds. Puget Sound Partnership: Take note. There will be opportunities along the way that may sound too good to be true. Maybe they are.

Meanwhile, expect to hear more this week on the green-jobs front, with Defenders of Wildlife planning a Wednesday appeal.

Posted by Robert McClure at January 12, 2009 1:34 p.m.

Poet opens spigots on cob-to-ethanol plant

01/12/2009

Associated Press (AP) - Bismarck Bureau
Lammers, Dirk

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SCOTLAND, S.D._Cellulosic ethanol, the next big hope for a biofuels industry hampered during the past year by volatile commodity price swings and shrinking profit margins, is continuing its slow march toward commercialization.

Poet LLC, the nation's top ethanol producer, has opened the spigots on an \$8-million pilot-scale biorefinery at its Scotland, S. D., research center that will produce 20,000 gallons of fuel each year from the corn cobs and fiber normally left behind in fields.

Poet's demo plant is a precursor to a larger \$200 million commercial-scale biorefinery scheduled to open in Emmetsburg, Iowa, in 2011.

The privately held firm is one of several backed by hundreds of millions of dollars in U.S. Department of Energy grants aimed at jump-starting the evolution to fuels made from such non-corn feedstocks as switchgrass, wheat straw and wood chips.

Poet has been making ethanol from corn for more than 20 years, but Chief Executive Jeff Broin said that adding cobs into the mix will increase the ethanol yield of each corn bushel by 11 percent and the per-acre yield by 27 percent.

Production growth in both areas will help the U.S. reach an aggressive renewable fuels standard that will require 36 billion gallons of biofuels to be blended into gasoline by 2022, Broin said.

"There's tremendous potential in both grain-based and cellulosic ethanol to significantly reduce our country's dependence on energy," he said.

Nearly all of the ethanol produced domestically comes from corn, and 2008 was a tough year for the industry.

VeraSun Energy Corp., the nation's No. 2 producer, filed for

Chapter 11 bankruptcy protection after tightening credit markets erased its lifeline to weather volatile corn and fuel price swings. And shares of Aventine Renewable Energy Holdings Inc., Pacific Ethanol Inc. and BioFuel Energy Corp. all lost about 95 percent of their value during the year.

But the burgeoning cellulosic ethanol industry would likely be facing investor anxiety even if the nation wasn't embroiled in a recession and credit crunch, said Cole Gustafson, a biofuels economist at North Dakota State University in Fargo, N.D.

Existing corn ethanol plants have consistent performance benchmarks that translate well to a balance sheet, but the cellulosic industry is experimenting with a broad range of feedstocks that can be confusing to investors.

Firms are working with multiple conversion processes, both biological and thermochemical, and the industry needs to work out its markets for feedstocks and figure out how to transport them, Gustafson said.

"As a consequence, it's going to be very difficult to get the capital from Wall Street and other investors that are outside of agriculture," he said.

Although no cellulosic biorefinery has reached large commercial status as of yet, Poet's plant is one of several pilot plants that have opened during the past year.

Rapid City, S.D.-based KL Energy Corp. began operation of a plant near Upton, Wyo., in January 2008 that can produce about 1.5 million gallons of ethanol annually from wood waste. Massachusetts-based Verenium Corp. in April started up a Jennings, La., plant that will turn agricultural waste and wood products into about 1.4 million gallons of fuel per year.

AE Biofuels Inc., of Cupertino, Calif., opened a 9,000-square-foot Butte, Mont., demonstration plant in August that will test the creation of fuels from such nonfood products as wheat straw and grasses.

Making ethanol from such a diverse lineup of materials is no easy task.

Cellulose is dense and not nearly as easy to untangle from the rest of the plant materials as, say, corn. Feedstocks typically have to be pretreated, and companies are continuing to perfect the enzymes needed to extract complex sugars and bring down the cost.

And the standard yeast that breaks down simple sugars can't digest complex sugars, so more advanced microorganisms are needed during fermentation.

Broin said it currently costs Poet about a \$1 more per gallon to make fuel from cobs than kernels. The goal is to bring that figure down to less than 50 cents per gallon by 2011 and make cellulosic ethanol on par with grain-based fuels within the next 5-7 years.

Just a few years ago that cost difference was several dollars per gallon, "so we've made some significant improvements," Broin said.

The Energy Department, intent on making cellulosic ethanol competitive by 2012, awarded \$385 million in 2007 to six companies hoping to build the nation's first large biomass-to-fuel plants.

Gustafson said government support is driving the industry.

"What I'm really interested in is when is the private market for these ventures going to take off, and that's going to be a ways down the road," he said.

Other large companies are jumping into cellulosic ethanol.

_ In October, DuPont Co., Denmark-based Danisco A/S and the state of Tennessee broke ground on a research refinery designed to turn 723 acres of switchgrass from a University of Tennessee research program into ethanol. Production is expected to start by late 2009.

_ Illinois-based Coskata Inc. and its partner, General Motors Corp., are building a \$25 million demonstration plant in the Pittsburgh area that will turn wood debris and corn stalks into about 40,000 gallons of ethanol a year, with operation sometime in 2009.

_ Coskata has also entered an agreement with U.S. Sugar Corp. to explore construction of a 100-million-gallon sugarcane-to-ethanol facility in Clewiston, Fla.

Gustafson said he sees projects that use regionally available waste products as emerging first from the gate.

"Something's going to rise to the top. We just don't know what it is yet," he said. "But in the next two years, we're going to have a much better understanding."

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