

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3278-02
Bill No.: SB 569
Subject: Agriculture Dept.; Environmental Protection
Type: Original
Date: January 23, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials with the **Department of Revenue** assume no fiscal impact to their agency.

Officials with the **Department of Agriculture** assume the Fuel Quality Program will oversee the testing and reporting of compliance regarding this proposal. The Department of Agriculture will attempt to absorb the cost of testing the fuels.

Officials from the **Department of Natural Resources (DNR)** assume this proposal would require that 100% of gasoline sold on or before January 1, 2007 be blended with at least 10% ethanol. This proposal would remain in place unless EPA or the Governor promulgates rules which prohibit, limit, or otherwise regulate the use of regulate the use of such fuels in ozone nonattainment areas or areas designated as maintenance areas for ozone.

The St. Louis metropolitan area is currently an EPA designated ozone nonattainment area and Kansas City has been identified by EPA as an ozone maintenance area. Studies have shown that additional use of ethanol will increase the amount of ozone precursor emissions. This may require the state to seek offset reductions from other sources of pollution.

ASSUMPTION (continued)

The department assumes there would need to be a tracking mechanism in place to assure compliance with this proposal. It is unclear if this requirement would rest with the Department of Agriculture or the Department of Natural Resources. If the MDNR is required to track compliance from tank owners that they are dispensing 10% ethanol blended fuel, a modification would need to be made to the tank registration form and the database to assure that the data is being captured.

The Department's Energy Center monitors fuel supplies and prices and makes this information available to the public and state and federal officials, and conducts energy supply assessments in response to supply shortages.

Currently, the department does not have an underground storage tank (UST) field presence for UST issues. The proposed legislation could result in additional measures being needed to ensure compliance with the requirements of this proposal. The department would not anticipate any significant fiscal impact as a result of this proposal.

Officials from the **Department of Transportation** assume no fiscal impact to their agency. The state fuel tax for gasoline and gasohol is 17 cents per gallon, and Congress has recently adjusted the federal gasohol rate to equal the federal gasoline rate that is attributed to the Highway Trust Fund.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Yes. For some gasoline service stations and other businesses with fuel delivery equipment, will require cost of \$500 to \$50,000/filling station to ensure storage tanks are properly prepared and found compatible with ethanol blends. Some locations will require new storage tanks and fuel delivery systems.

According to a study conducted by the University of Missouri, by 2006 there would be significant direct and indirect economic benefits to five ethanol plants in Missouri including processing and adding value to Missouri corn, the creation of new jobs, and an increase in total value added to the Missouri economy.

There could be some conversion issues for marketers of the product. In general, tanks, pumps, lines, and dispensers that are currently used for gasoline can be used for ethanol blend without any modification. There may need to be some precautions taken that include cleaning and labeling of tanks.

DESCRIPTION

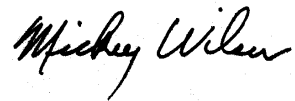
The act directs that one hundred percent of gasoline sold on or before January 1, 2007, be blended with at least ten percent ethanol. This directive remains in place unless the EPA or the Governor promulgates rules which regulate the use of such fuels in ozone nonattainment areas or maintenance areas as both terms are defined by the amended Clean Air Act.

There are a few exceptions laid out in the act, namely for aviation fuel and for high octane, premium fuel. The last exception was provided for in Montana's new law pertaining to ethanol and covers any consumer who chooses to pay more for premium grade fuel. This is important because while there are some planes that can run on motor fuel, ethanol blended gasoline is not an acceptable fuel for any plane. Therefore, by providing this high octane premium fuel exemption, the issue of invalidating one potential fuel source for these planes is averted.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Agriculture
Department of Revenue
Department of Natural Resources
Department of Transportation



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Director
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