

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0926-01
Bill No.: SB 204
Subject: Agriculture Dept.; Motor Fuel
Type: Original
Date: January 22, 2007

Bill Summary: Requires all diesel fuel sold in Missouri after January 2009 to contain at least two percent biodiesel.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
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 2008	FY 2009	FY 2010
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Total Estimated Net Effect on FTE	0	0	0

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2008	FY 2009	FY 2010
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Transportation** assume no fiscal impact to their agency.

Officials from the **Department of Natural Resources** would not anticipate any significant direct fiscal impact as a result of this proposal.

Officials from the **Department of Revenue (DOR)** assume this proposal would mandate all diesel fuel sold or offered for sale after January 1, 2009, to contain at least 2% biodiesel.

If biodiesel were to be blended at the distributor/retail level, DOR would be required to identify and register additional locations. In order to implement, DOR will have to register all retail locations and require them to file monthly reports. DOR will need 3 Tax Processing Technician I to license all of the distributor/retailers and key their monthly reports. This would also require form revisions and programming changes to the FACS system.

However, in the event that the fuel is required to be blended before being dispensed to the distributors or the retailers, no FTE would be required.

Office of Administration Information Technology (ITSD DOR) estimates the IT portion of this request can be accomplished within existing resources, however; if priorities shift, additional FTE/overtime would be needed to implement. Office of Administration Information Technology (ITSD DOR) estimates that this proposal could be implemented utilizing 2 existing CIT III for 6 months at a rate of \$50,232.

Oversight assumes this would be accomplished during the normal budgetary process. Therefore, Oversight assumes the initial administrative impact of this proposal is \$0.

Officials from the **Department of Agriculture (MDA)** assume their Fuel Quality Program will monitor the biodiesel content at retail. Additional time will be required of the program to ensure service stations properly prepare storage tanks for the introduction of the blends. One additional chemist will be required to conduct the additional fuel quality testing and to resolve consumer complaints and fuel quality problems from inadequate tank preparation and conversion. One auditor will be needed to ensure compliance by monitoring locations selling diesel with less than 2.0% biodiesel.

ASSUMPTION (continued)

Oversight assumes this would be accomplished during the normal budgetary process. Therefore, Oversight assumes the initial administrative impact of this proposal is \$0.

<u>FISCAL IMPACT - State Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2008 (10 Mo.)	FY 2009	FY 2010
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Yes, if the retailer is required to blend the product.

All service stations and other businesses with diesel fuel storage tanks must clean and remove any water from the system prior to the introduction of biodiesel blends. Cost for cleaning and water removal is estimated at \$500 per tank. Some service stations storage tanks may not be compatible with ethanol blends and will require tank replacement.

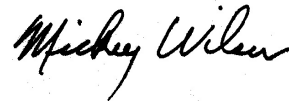
FISCAL DESCRIPTION

The proposed will require that all diesel fuel sold in Missouri after January 1, 2009, shall contain at least two percent biodiesel by volume.

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 Natural Resources
Department of Revenue
Department of Agriculture
Department of Transportation



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Director
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