

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3573-03
Bill No.: SCS for SB 759
Subject: Agriculture Dept.; Motor Fuel
Type: Original
Date: February 8, 2008

Bill Summary: Requires all diesel fuel sold at retail in Missouri after April 1, 2010 to be a biodiesel-blended fuel.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
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 2009	FY 2010	FY 2011
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

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

Officials from the **Department of Revenue (DOR)** assume this proposal would require that all diesel fuel sold or offered for sale at retail on or after April 1, 2010, be a biodiesel-blended fuel.

DOR assumes this proposal expands current law to allow distributors to purchase unblended gasoline at a terminal for the purpose of making ethanol-blended, if the distributor can make the ethanol-blended gasoline at the same or lower cost of purchasing the blended fuel directly from the terminal. This allows the distributor to purchase the fuel grade alcohol from whomever they want.

It provides an exemption from the biodiesel-blended fuel for diesel fuel sold to or used by railroad on-track equipment and diesel fuel sold to or used by motors at nuclear power generation facilities.

The Director of the Department of Agriculture may exempt additional fuel uses from the biodiesel-blending requirement.

The proposal expands the Governor's ability to waive the current fuel ethanol and the biodiesel requirement found in this proposal, for any reason, by issuance of an Executive Order. Current law only allows the fuel ethanol requirement to be waived for reasons related to air quality.

It requires all terminals selling diesel fuel in Missouri, to sell biodiesel, conventional diesel and biodiesel-blended fuel that contains at least 5% biodiesel by volume.

It allows terminals to sell biodiesel-blended fuel containing more than 5% biodiesel by volume provided the sale meets the notification requirements promulgated by the Department of Agriculture.

Current law allows fuel retailers, wholesalers, distributors, and marketers to purchase ethanol from any terminal, position holder, fuel ethanol producer, wholesaler or supplier. This proposal allows these same entities to purchase biodiesel in the same manner.

ASSUMPTION (continued)

Requires the Department of Agriculture to develop cold temperature operability standards for biodiesel and enforce the standards beginning January 1, 2010.

Biodiesel manufacturers violating quality standards may be subject to a penalty of up to \$10,000 per violation. They would also be subject to a cease and desist order.

If DOR were required to tract biodiesel-blended fuel separately from conventional diesel fuel, changes would be required to forms and the motor fuel tax system

If biodiesel will be blended at the distributor/retail level Excise Tax will need to identify and register additional locations, requiring them to file monthly reports. With the added responsibility Excise Tax will require 2 Tax Processing Technician I's to license and key the monthly reports.

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. MDA's fuel quality program will attempt to absorb some of the extra workload this part of the proposal will create. However, one additional chemist will be required and one field inspection will be required to assist with extra workload this proposal requires. MDA will audit locations selling diesel fuel with less than 5% biodiesel to ensure compliance.

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 2009 (10 Mo.)	FY 2010	FY 2011
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Yes, if the small business were a distributor or seller of fuel, they would be subject to the provisions of this legislation. If the small business did not comply with these provisions, it would be subject to the fines imposed.

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.

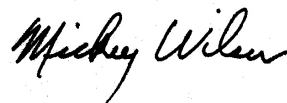
FISCAL DESCRIPTION

The proposed will require that all diesel fuel sold at retail in Missouri after April 1, 2010, to be a biodiesel-blended fuel.

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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