

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4693-04  
Bill No.: Truly Agreed To and Finally Passed HCS for SS for SCS for SB 657  
Subject: Liability; Motor Fuel  
Type: Original  
Date: June 2, 2016

Bill Summary: This proposal modifies provisions relating to liability for the use of incompatible motor fuel.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>				
FUND AFFECTED	FY 2017	FY 2018	FY 2019	Fully Implemented (FY2023)
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>				
FUND AFFECTED	FY 2017	FY 2018	FY 2019	Fully Implemented (FY2023)
Petroleum Inspection Fund	Up to \$692,771	Up to \$1,364,759	Up to \$1,344,288	Up to \$2,109,045
<b>Total Estimated Net Effect on Other State Funds</b>	<b>Up to \$692,771</b>	<b>Up to \$1,364,759</b>	<b>Up to \$1,344,288</b>	<b>Up to \$2,109,045</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 7 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>				
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>Fully Implemented (FY2023)</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>				
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>Fully Implemented (FY2023)</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>				
<b>FUND AFFECTED</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>Fully Implemented (FY2023)</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**FISCAL ANALYSIS**

**ASSUMPTION**

§414.082 - Officials at the **Department of Agriculture (AGR)** assume this proposal would have a positive fiscal impact on their organization by increasing the inspection fee of specific motor fuels allowing the current level of service by this program to be maintained.

Also, AGR notes the revenue estimates assume that, without the inspection fee adjustments allowed by SB 884, current revenues would continue their 1.5 percent average annual decline. The revenue estimates also assume that there will continue to be a one month lag between the fees assessed and the Department of Revenue's actual collection and deposit of revenues into the petroleum inspection fund (e.g. fees assessed in January 2017 are not deposited into the inspection fee fund until February 2017). Note that with the reduction in gasoline and diesel fuel prices, consumption has increased 1.5% for the first 5 months of the fiscal year but over the long term, as more newer, better mileage vehicles enter the market, a 1.5% annual reduction in fuel consumption is anticipated.

AGR estimates a 3.5 cent per 50-gallon barrel inspection fee may be necessary effective January 1, 2017, in order to maintain the current level of services provided by the program.

If the adjustment allowed by SB 884 is needed, the revenue estimates would be as follows:

<b>Current Per Barrel Fees for Inspection of Motor Fuels</b>				
Revenue	Projected FY16	Projected FY17	Projected FY18	Projected FY19
Annual	\$2,344,403.40	\$2,309,237.35	\$2,274,598.79	\$2,240,479.81
Per Month Revenue	\$195,366.95	\$192,436.45	\$189,549.90	\$186,706.65

<b>Per Barrel Fees for Inspection of Motor Fuels from SB 884 - Effective 1/1/17</b>				
Under SB 884	Projected FY16	Projected FY17	Projected FY18	Projected FY19
Annual	Not applicable	\$2,694,110.24	\$3,184,438.30	\$3,136,671.73
Difference	Not applicable	\$384,872.89	\$909,839.52	\$896,191.92

ASSUMPTION (continued)

**Oversight** assumes currently the fee for the inspection of certain motor fuels for the Department of Agriculture is used for expenses to administer the program. The fee cannot be less than 1.5 cents per barrel and cannot exceed 2.5 cents per barrel. The Department of Revenue (DOR) sets the per barrel fee, after receiving an expense report from AGR, for the ensuing calendar year. DOR sets the fee to not yield revenue greater than costs of administering the program.

**Oversight** notes, according to the State Treasurer's Office, the balance of the Petroleum Inspection Fund (0662) as of June 30, 2015 was \$1,396,025.53. Total receipts for FY15 were \$2,353,862.98 and total disbursements were \$1,650,946.16.

Utilizing AGR's estimate of 1.5% reduction in utilization, **Oversight** assumes the following potential impact of the proposal:

Year	Projected Revenue (current 2.5 cents rate)	Projected Barrels (assuming 1.5% decline)	Maximum Charge per Barrel Allowed in the Proposal	Potential New Revenue Estimates	Projected Possible Additional Revenue
FY 2016	\$2,344,403	93,766,120	.025		
FY 2017	\$2,309,237	92,369,478	.04 (at 1/1/17)	\$3,002,008	\$692,771
FY 2018	\$2,274,599	90,983,936	.04	\$3,639,357	\$1,364,759
FY 2019	\$2,240,480	89,619,177	.04	\$3,584,767	\$1,344,288
FY 2020	\$2,206,872	88,274,889	.04	\$3,530,996	\$1,324,123
FY 2021	\$2,173,769	86,950,766	.04	\$3,478,031	\$1,304,261
FY 2022	\$2,141,163	85,646,505	.05 (at 1/1/2022)	\$3,854,093	\$1,712,930
FY 2023	\$2,109,045	84,361,807	.05	\$4,218,090	\$2,109,045

**Oversight** will range the fiscal impact of this proposal as "Up To" the amounts reflected above. The Department of Revenue has the ability charge a fee up to the new maximums.

**Oversight** will reflect 6 months of potential impact in FY 2017, or \$692,771 (\$1,385,542 x 6/12).

ASSUMPTION (continued)

§414.082 - Officials at the **Department of Revenue (DOR)** assume this proposal allows the rate charged to be adjusted annually, requiring updates to forms, rate notification to approximately 490 licensed suppliers and distributors, and minor programming changes to the motor fuel system.

In FY17, DOR would need to incur a one-time fiscal impact of \$5,994 for 80 hours of consultant contract costs. In addition, an increase of \$272 for mailing costs to send out rate change notifications in FY17. DOR shows a fiscal impact for FY18 and FY19, an increase of \$272 for mailing costs in each fiscal year.

**Oversight** assumes DOR could absorb these costs and will not show an impact in the fiscal note.

**DOR** assumes the rate charged for inspections until December 31, 2016, is two and one-half cent (\$0.025) per barrel. Between January 1, 2017, and December 31, 2021, the rate charged for the inspection of gasoline, blended fuels, kerosene, etc., cannot exceed four cents (\$0.04) per barrel. After January 1, 2022, the legislation sets the maximum fee at five cents (\$0.05) per barrel.

DOR assumes the rate charged in this legislation can be adjusted annually, requiring updates to forms, rate notification to approximately 490 licensed suppliers and distributors, and minor programming changes to the motor fuel tax.

Officials at the **Attorney General's Office** assume that any potential costs arising from this proposal can be absorbed with existing resources.

Officials at the **Department of Natural Resources (DNR)** assumed the proposal would not have a fiscal impact on their organization.

DNR also stated the Missouri Petroleum Storage Tank Insurance Fund (PSTIF) Board of Trustees assume this proposal would not have a fiscal impact on their organization.

Officials at the **Office of Administration - Facilities Management, Design and Construction** and the **Department of Insurance, Financial Institutions, and Professional Registration** each assume this proposal would not have a fiscal impact on their respective organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019	Fully Implemented (FY2023)
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**PETROLEUM INSPECTION FUND**

<u>Revenue - §414.082 - Inspection Fees</u>	Up to <u>\$692,771</u>	Up to <u>\$1,364,759</u>	Up to <u>\$1,344,288</u>	Up to <u>\$2,109,045</u>
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**ESTIMATED NET EFFECT ON  
THE PETROLEUM INSPECTION  
FUND**

Up to <u>\$692,771</u>	Up to <u>\$1,364,759</u>	Up to <u>\$1,344,288</u>	Up to <u>\$2,109,045</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
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<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

Small businesses fuel owners and operators could be affected by this proposal.

FISCAL DESCRIPTION

PETROLEUM STORAGE TANK INSURANCE FUND (Sections 319.114 & 414.036) - Under this act, an owner or operator shall not be denied benefits by the Petroleum Storage Tank Insurance Fund if their claim arises from a release of motor fuel or a regulated petroleum substance that is incompatible with the motor fuel underground or aboveground storage tank system, except in cases of fraud on the application for coverage.

MOTOR FUEL LIABILITY (Section 414.255) - Under this act, no refiner, supplier, terminal, wholesaler, distributor, retailer, or other vendor of motor fuel that is blended with ethanol or renewable fuel that complies with motor fuel quality and labeling laws shall be liable for property damages related to a customer's purchase of such motor fuel so long as the selection of motor fuel was made by the customer and not the vendor. No motor fuel that is blended with ethanol shall be considered a defective product for purposes of property damage claims.

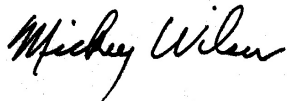
FISCAL DESCRIPTION (continued)

Under this act, auto dealers and manufacturers shall not be liable for property damages related to a customer's purchase of motor fuel blended with renewable fuels if the selection and purchase of the motor fuel was made by the customer and does not comply with specific fuel recommendations found in the vehicle owner manual.

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

Office of Administration - Facilities Management, Design and Construction  
Department of Natural Resources  
Missouri Petroleum Storage Tank Insurance Fund  
Department of Insurance, Financial Institutions, and Professional Registration  
Department of Agriculture  
Office of Attorney General  
Department of Revenue



Mickey Wilson, CPA  
Director  
June 2, 2016

Ross Strobe  
Assistant Director  
June 2, 2016