COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. NO.: 0596-01
BILL NO.: SB 88
SUBJECT: Department of Agriculture; Ethanol
TYPE: Original
DATE: January 22, 2001

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**FISCAL SUMMARY**

| ESTIMATED NET EFFECT ON STATE FUNDS | | | |
|---|---|---|---|
| FUND AFFECTED | FY 2002 | FY 2003 | FY 2004 |
| Petroleum Inspection Fund | $0 | ($132,106) | ($127,262) |
| | | | |
| **Total Estimated Net Effect on All State Funds** | **$0** | **($132,106)** | **($127,262)** |

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|---|---|---|
| FUND AFFECTED | FY 2002 | FY 2003 | FY 2004 |
| None | $0 | $0 | $0 |
| | | | |
| **Total Estimated Net Effect on All Federal Funds** | **$0** | **$0** | **$0** |

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|---|---|---|---|
| FUND AFFECTED | FY 2002 | FY 2003 | FY 2004 |
| **Local Government** | **$0** | **$0** | **$0** |

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 5 pages.

## FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue** assume their agency would not be fiscally impacted by this proposed legislation.

Officials from **Jefferson County** noted that the fiscal impact of this proposal is unknown, but it is estimated to be minimal.

Officials from the **Office of Secretary of State** assume that based on experience with other divisions, the rules, regulations and forms issued by the Department of Agriculture could require as many as approximately 10 pages in the *Code of State Regulations*. For any given rule, roughly half again as many pages are published in the *Missouri Register* as in the *Code* because cost statements, fiscal notes and the like are not repeated in *Code*. These costs are estimated. The estimated cost of a page in the *Missouri Register* is $23.00. The estimated cost of a page in the *Code of State Regulations* is $27.00. Therefore, the total estimated cost for FY 02 is $615.00. The actual costs could be more or less than the numbers given. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded and withdrawn.

Officials from the **Department of Natural Resources** assumes that because this bill places responsibility for the phase out of RFG containing MTBE and phase in of RFG with 10% ethanol, beginning January 1, 2003, on the Department of Agriculture, this bill will have no fiscal impact on the Department of Natural Resources.

Officials from the **Department of Agriculture** (AGR) assume that January 1, 2003 the AGR - Fuel Quality Program will require one additional chemist to handle the extra testing of all gasoline samples as well as assisting with enforcement of the requirements. The chemist will use an existing gas chromatography for measuring the amount of MTBE and ethanol in RFG.

An additional Fuel Device Safety Inspector is needed to offset the loss in inspection time of the present three inspectors performing fuel quality inspections and sampling. This inspector will require a pickup truck and equipment. Two inspectors will carry portable oxygenate analyzers and will be used as needed for enforcement purposes. Officials noted that considerable follow-up inspections are expected. Officials also noted that about 55% of Missouri's service stations are sampled annually.

Officials from the **Department of Transportation** (DHT) assume federal funding will be reduced since the tax on 10% ethanol is 8.5 cents per gallon less than the tax on gasoline. This legislation will result in a loss beginning in October, 2005. Therefore, the minimum loss to the Road Fund is $12,000,000 in FY 2006; $12,000,000 in FY 2007; $12,000,000 in FY 2008; and

ASSUMPTION (continued)

$12,000,000 in FY 2009. The maximum loss is unknown.

The minimum loss is based on:

1. Calendar Year 99 national total revenue credited to the Highway Account of the Trust Fund (federal apportionment).
2. The current guarantee formula used by FHWA for apportionment under the current highway act (TEA-21).
3. Current Missouri revenue credited to the Highway account less the decrease in contributions from increased gasohol usage in the state.

The maximum amount is unknown because of the unknowns of the future national policy regarding mandatory use of gasohol which effects Trust Fund receipts and the next highway act scheduled to take effect in 2004.

The associated minimum loss to cities and counties is $3,000,000 in FY 2006; $3,000,000 for FY 2007; $3,000,000 for FY 2008, and $3,000,000 in FY 2009.

**Oversight** has reduced AGR's salaries to a salary more in line with the State's hiring practices. Oversight notes that this proposal does not go into effect until January 1, 2003; therefore, only six months of salaries and the related expenses are included in the fiscal impact for FY 2003.

The losses to the Road Fund and to cities and counties as represented by DHT are beyond the scope of this fiscal note; therefore, these losses are not reflected in the fiscal impact.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

| FISCAL IMPACT - State Government | FY 2002 | FY 2003 (6 Mo.) | FY 2004 |
|---|---|---|---|
| **PETROLEUM INSPECTION FUND** | | | |
| Cost - Department of Agriculture | | | |
| Personal Services | $0 | ($32,099) | ($65,802) |
| Fringe Benefits | $0 | ($10,699) | ($21,932) |
| Expense and Equipment | $0 | ($89,308) | ($39,528) |
| **Estimated Net Effect on PETROLEUM INSPECTION FUND** | **$0** | **($132,106)** | **($127,262)** |

| FISCAL IMPACT - Local Government | FY 2002 (10 Mo.) | FY 2003 | FY 2004 |
|---|---|---|---|
| | **$0** | **$0** | **$0** |

Long-Range Implications

Officials from the DHT assume the minimum loss to the Road Fund is $12,000,000 in FY 2006; $12,000,000 in FY 2007; $12,000,000 in FY 2008; and $12,000,000 in FY 2009. The maximum loss is unknown.

Additionally, officials from DHT assume the associated minimum loss to cities and counties is $3,000,000 in FY 2006; $3,000,000 for FY 2007; $3,000,000 for FY 2008, and $3,000,000 in FY 2009.

FISCAL IMPACT - Small Business

This proposed legislation could result in an increase in operational costs to those small businesses in the transportation industry.

DESCRIPTION

This proposal requires metropolitan areas with more than 300,000 inhabitants to phase in replacement of reformulated gasoline containing methyl tertiary butyl ether (MTBE) with reformulated gasoline containing 10% ethanol. The replacement process will begin on January 1, 2003, and be completed by a date established in rules by the Department of Agriculture. Other counties and municipalities may adopt this replacement plan or develop their own plan.

This legislation is not federally mandated and would not require additional capital improvements or rental space, but would duplicate an existing plan. Officials from the DHT noted that the Missouri State Implementation Plan (SIP) submitted by DNR and approved by the Environmental Protection Agency under the Clean Air Act (CAA) includes provisions for reformulated gasoline (RFG) in the St. Louis non-attainment area. St. Louis and Kansas City
DESCRIPTION (continued)

previously "opted-in" reformulated gas and to that extent, this legislation duplicates that effort.

SOURCES OF INFORMATION

Department of Agriculture
Department of Natural Resources
Department of Revenue
Department of Transportation
Office of Secretary of State
Jefferson County

**NOT RESPONDING:** City of Kansas City, City of St. Louis; City Administrators of the Cities of Springfield and St. Charles; St. Louis County - Director of Administration, Jackson County Executive; County Commissioners of the Counties of Greene and Buchanan

Jeanne Jarrett, CPA
Director

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