

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3181-05
Bill No.: HB 1270
Subject: Agriculture and Animals; Motor Fuel; Roads and Highways
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

In response to a similar proposal officials from the **Department of Agriculture** assume no fiscal impact to their agency.

Officials from the **Department of Revenue (DOR)** assume this proposal requires all gasoline sold in Missouri after January 1, 2007 to be blended with at least 10% agriculturally derived ethanol unless the EPA or the Missouri Department of Agriculture specifically exempts its use.

No significant impact if ethanol is taxed at the rack or upon first sale, minor forms and programming changes. If DOR needs to register all retail locations and require them to file monthly reports they would need 2-3 additional FTE to license all of them and key their monthly reports. Current distributor reporting forms can be used and therefore, no forms changes or changes to the FACS system would be needed.

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.

ASSUMPTION (continued)

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 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.

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.

<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, if they are required to blend the product.

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.

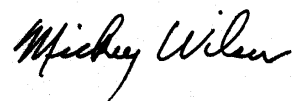
DESCRIPTION

This bill requires, by January 1, 2007, that all gasoline sold in Missouri contain at least 10% agriculturally derived, denatured ethanol by volume, unless exempted by the federal Environmental Protection Agency or by a rule promulgated by the Director of the Department of Agriculture. The provisions of the bill do not apply to gasoline sold for use in boats, vehicles at least 25 years old, or aircraft.

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 Transportation
Department of Natural Resources



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