COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3181-07
Bill No.: HCS for HB 1270 & 1027
Subject: Agriculture and Animals; Motor Fuel; Roads and Highways
Type: Original
Date: March 2, 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 Other 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 All 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 (AGR)** assume the AGR Fuel Quality Program will monitor the ethanol content at retail. Additional time will be required of the program to ensure service stations properly prepare storage tanks for the introduction of ethanol blends. AGR's fuel quality program will attempt to absorb the extra workload this part of the proposal will create. However, additional chemists and field inspection staff may be required to assist in resolving consumer complaints and fuel quality problems from inadequate tank preparation and conversion.

AGR will be required to do an annual report for the governor and general assembly. AGR will audit locations selling gasoline with less than 9.2% ethanol 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.

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.

ASSUMPTION (continued)

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.

Officials form 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 Missouri Department of Agriculture declared an exemption.

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. Some studies have shown, while ethanol is generally a cleaner burning fuel than petroleum based gasoline, that additional use of ethanol can increase the amount of ozone precursor emissions in certain limited instances. This may require the state to seek offset reductions from other sources of pollution if the Governor, the Department of Natural Resources, or the Department of Agriculture is not provided the authority to waive the requirement in part of in whole in these limited circumstances.

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.

The department would not anticipate a direct fiscal impact from this proposal.

FISCAL IMPACT - State Government	FY 2007 (10 Mo.)	FY 2008	FY 2009
	$0	**$0**	**$0**

FISCAL IMPACT - Local Government	FY 2007 (10 Mo.)	FY 2008	FY 2009
	$0	**$0**	**$0**

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 substitute requires, by January 1, 2008, that all gasoline sold in Missouri contain at least 10% agriculturally derived, denatured ethanol by volume, unless exempted by the federal Environmental Protection Agency, by a rule promulgated by the Director of the Department of Agriculture, or by a waiver issued by the Governor. The provisions of the substitute do not apply to gasoline sold for use in boats, vehicles at least 25 years old, or aircraft.

Beginning January 1, 2007, and annually thereafter, the department is required to provide to the General Assembly and the Governor a report containing data and information concerning the production of and the demand for ethanol and ethanol-blended gasoline.

If a distributor is unable to purchase ethanol or ethanol-blended gasoline from a terminal or supplier due to an insufficient supply, the terminal operator or supplier is required to submit an affidavit to the distributor attesting to the insufficient supply. Upon verification of the insufficient supply in the market, the unblended gasoline is deemed in compliance with the provisions of the substitute. The bill of sale, bill of lading, or invoice accompanying the purchase of unblended gasoline is required to indicate "no ethanol or ethanol blend gasoline is available for sale." The provisions regarding an insufficient supply will expire December 31, 2008.

DESCRIPTION (continued)

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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Director
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