

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3182-03
Bill No.: HB 1369
Subject: Agriculture and Animals; Motor Fuel
Type: Original
Date: February 17, 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 4 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 (AGR)** assume they may be required to promulgate regulations. AGR Fuel Quality Program will oversee the testing and reporting of compliance regarding this proposal. AGR will attempt to absorb the cost of testing the fuels. AGR will assume DOR will collect any fee levied in the event the requirement is repealed within the 2 years of the effective date and AGR will oversee the reimbursement of any cost due to terminals.

Officials from the **Department of Revenue (DOR)** assume this proposal mandates all diesel fuel sold at the terminal or imported into Missouri on or Before January 1, 2008, to contain 2% biodiesel fuel blend. It also provides for terminal operators to be reimbursed for unrecovered capital expenditures necessary to make improvements to equipment to blend biodiesel, if the proposal is not repealed within 5 years. Forms and programming changes will be required, however, DOR will handle all changes with existing staff.

Officials from the **Department of Transportation** assume no fiscal impact since the state fuel tax rate on diesel and biodiesel is 17 cents per gallon, and the federal fuel tax rate is the same 24.40 cents for diesel and biodiesel per gallon.

ASSUMPTION (continued)

Officials from the **Department of Natural Resources (DNR)** assume this proposal would require on or before January 1, 2008, all diesel fuel sold or offered for sale in Missouri for use in internal combustion engines to contain at least 2% biodiesel fuel.

If the requirements of this section were repealed within five years of the effective date of this section any terminal located in this state that made capital expenditures necessary to adapt or add equipment to blend biodiesel fuel oil would be eligible for partial reimbursement for unrecovered capital expenditures.

The department would not anticipate any significant direct 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 the small business is a terminal required to store and track blended fuel, the small business would be financial liable to maintain an establishment that allows them to do so.

All service stations and other diesel fuel storage tanks must be cleaned and water removed to ensure vehicle fuel systems are not damaged from the "cleaning effect" biodiesel has. Cost for water removal and tank preparation is estimated at \$600 per tank.

In order to comply with provisions of this proposal, there may be a need to adapt or add equipment to blend biodiesel fuel. If the requirements of this section were repealed within five years of the effective date of this section any terminal located in this state that made capital expenditures necessary to adapt or add equipment to blend biodiesel fuel oil would be eligible for partial reimbursement for unrecovered capital expenditures.

DESCRIPTION

This bill requires, by January 1, 2008, that all diesel fuel sold at the terminal or imported for sale in Missouri for use in internal combustion engines contain at least 2% biodiesel fuel oil by volume. The Director of the Department of Agriculture may exempt certain fuel uses from this requirement.

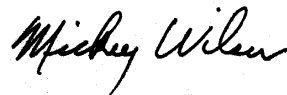
In the event that the biodiesel fuel content requirement of the bill is repealed within five years of the date of the requirement, any terminal that made expenditures necessary to comply will be eligible for partial reimbursement of unrecovered associated costs. If the biodiesel requirements are repealed within two years, the reimbursement will be 80% of the associated costs. The reimbursement amount will decrease 20% each year with a 20% reimbursement in the fifth year.

A fee of one-half of one cent for each gallon of diesel fuel sold or offered for sale in Missouri will be imposed contingent upon the repeal of the biodiesel requirement. The fee will be collected for five years from the date the requirements were repealed and used to offset the cost of any required reimbursement.

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



Mickey Wilson, CPA
Director
February 17, 2006