

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3562-03  
Bill No.: HB 1445  
Subject: Agriculture and Animals; Motor Fuel; Motor Vehicles  
Type: Original  
Date: February 7, 2006

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2007</b>	<b>FY 2008</b>	<b>FY 2009</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### **FISCAL ANALYSIS**

#### **ASSUMPTION**

Officials from the **Department of Revenue** assume no fiscal impact to their agency.

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

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If the requirements of this section were repealed within five years of the effective date of this section any terminal located in this state that made capital expenditures necessary to adapt or add equipment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

ASSUMPTION (continued)

Officials from the February 6, 2006 **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.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

Yes; if the small business is a terminal, which by this proposal is required to blend fuel, the small business would be financially 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 that, by January 1, 2008, that all diesel fuel sold at the terminal or offered for sale in Missouri for use in internal combustion engines contain at least 2% biodiesel fuel oil by volume.

DESCRIPTION (continued)

The Director of the Department of Agriculture may exempt certain diesel fuel uses and rescind the exemptions, waive certain areas of the state and rescind the waivers, and require specific procedures and specifications for the blending of biodiesel fuel with diesel.

Biodiesel fuel oil is required to be blended with diesel fuel at Missouri terminals only, unless the director approves a terminal in another state.

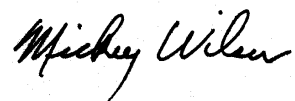
If the biodiesel fuel content requirement is repealed within five years of enactment, any terminal which made capital expenditures necessary to comply with the requirement will be eligible for partial reimbursement of the unrecovered associated costs. If the requirement is repealed within two years of enactment, the reimbursement will be 80% of the associated costs. The reimbursement will decrease 20% each year with a 20% reimbursement in the fifth and final year.

The bill creates the Biodiesel Investment Assurance Fund for the partial repayment of capital expenditures incurred by a terminal directly attributable to compliance with the biodiesel content requirement. The fund will contain moneys appropriated from general revenue for the sole purpose of contingent reimbursement of compliance with the diesel fuel requirements of the bill. At the end of five years after enactment, any unused moneys and the interest will be transferred into the General Revenue Fund.

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  
February 7, 2006

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