

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1283H.03C
 Bill No.: HCS for HB 529
 Subject: Motor Fuel; Agriculture, Department of; Revenue, Department of; Crimes and Punishment
 Type: Original
 Date: February 24, 2021

Bill Summary: This proposal establishes a minimum biodiesel fuel content mandate for diesel fuel sold or offered for sale in Missouri.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
General Revenue	\$2,650 to (\$2,650)	\$3,180 to (\$3,180)	\$3,180 to (\$3,180)
Total Estimated Net Effect on General Revenue	\$2,650 to (\$2,650)	\$3,180 to (\$3,180)	\$3,180 to (\$3,180)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Other State Funds*	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

*Unknown impact depends on the future price of diesel - could impact various state departments. Oversight does not anticipate the unknown impact to exceed \$250,000.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on FTE	0	0	0

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Government*	Unknown to (Unknown)	Unknown to (Unknown)	Unknown to (Unknown)

*Unknown impact depends on the future price of diesel

FISCAL ANALYSIS

ASSUMPTION

In response to a previous version, officials from the **Department of Agriculture (MDA)** assumed there would be no fiscal impact to their department as a result of this proposal. MDA will be able to monitor the blend level at retail and wholesale while testing Missouri's fuels for quality. MDA expects most all fuel marketers will comply without additional cost to our fuel quality program. The only potential additional cost would be for marketers that fail to comply with the Missouri Made Fuels Act (this proposal), which would be handled like any other fuel quality violation.

Officials from the **Department of Natural Resources, Office of the State Courts Administrator, Missouri Senate and Missouri House of Representatives** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

In response to a previous version, officials from the **Attorney General's Office, Department of Revenue, Missouri Highway Patrol, Office of the State Public Defender, Office of the Governor and Missouri Department of Transportation** each assumed the proposal would have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

In response to a previous version, officials from the **Office of Administration (OA)** assumed this bill requires all diesel fuel sold in Missouri to contain certain percentages of biodiesel fuel by certain dates, resulting in all diesel sold in the state being 20% biodiesel (B20) by April 2024 (Oversight notes 10% in the HCS). OA-General Services and OA-Facilities Management, Design and Construction (FMDC) use a significant amount of diesel fuel for fleet vehicles. OA-FMDC also uses diesel fuel for emergency generators and as backup fuel for some boilers at state facilities. Therefore, this bill could impact OA to the extent it affects the price of diesel fuel in Missouri. Any increase in diesel prices per gallon that results from legislation would increase operating costs associated with this fuel consumption. The exact impact that this legislation would have on diesel prices is unknown, as that would largely depend on market forces. However, OA has provided an estimated range below.

Generally, biodiesel has been more expensive than regular diesel in the U.S., although this has not been the case in the recent past. According to the U.S. Department of Energy, in 2015, on average in the U.S., biodiesel in a B20 blend cost about \$.12 more per gallon than conventional diesel fuel.

https://afdc.energy.gov/files/u/publication/alternative_fuel_price_report_jan_2015.pdf. In 2019, the U.S. Dept. of Energy reported that the cost of B20 versus diesel in the Midwest was about the same; however, “[o]n a national average basis, during this reporting period, B20 cost \$0.17 less than diesel on a per gallon basis.”

https://afdc.energy.gov/files/u/publication/alternative_fuel_price_report_jan_2019.pdf. It is possible that the market could shift again, raising the cost of biodiesel in Missouri.

In FY 2020, OA used 21,208 gallons of diesel fuel (15,247 for fleet vehicles and 2,857.40 gallons of diesel for generators and boilers), which cost a total of \$43,809.94. Assuming a similar usage and a range of \$.15 per gallon more expensive to \$.15 per gallon cheaper than prices over the past year (based on the U.S. Department of Energy numbers given above), this bill has the potential to save OA **\$3,181.20** or to cost OA **\$3,181.20**, per year depending upon changes in the market.

Oversight does not have any information to the contrary in regards to OA’s assumptions; therefore, Oversight will reflect OA’s fiscal impact range stated above on the fiscal note.

In response to a previous version, officials from the **Missouri Department of Conservation** assumed this proposal would have an unknown impact on their organization due to the unknown cost of diesel fuel.

Oversight does not have any information to the contrary in regards to MDC’s assumptions; therefore, Oversight will range the fiscal impact from a positive “Unknown” (biodiesel fuel is less expensive and results in a savings) to a negative “Unknown” (biodiesel is more expensive and results in additional costs) on the fiscal note. Oversight will reflect this potential impact to Various State Funds (includes MDC, DNR, MoDOT, etc. as well as local political subdivisions). Oversight does not anticipate the unknown impact to exceed \$250,000.

In response to a previous version, officials from the **Office of Administration - Budget & Planning (B&P)** stated this bill has no direct impact on B&P or on general and total state revenues. The B&P states it will not impact the calculation pursuant to Article X, Section 18(e).

SEQ CHAPTER 1
Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State** notes many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to

implement the act. The Secretary of State's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to Secretary of State's office for Administrative Rules is less than \$5,000. The Secretary of State's office recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, they also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, they reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
GENERAL REVENUE FUND			
<u>Cost - OA - potential increase or decrease in fuel costs p .3-4</u>	<u>\$2,650 to (\$2,650)</u>	<u>\$3,180 to (\$3,180)</u>	<u>\$3,180 to (\$3,180)</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>\$2,650 to (\$2,650)</u>	<u>\$3,180 to (\$3,180)</u>	<u>\$3,180 to (\$3,180)</u>
OTHER STATE FUNDS			
<u>Cost - Various state departments - potential increase or decrease in fuel costs p. 4</u>	Unknown to <u>(Unknown)</u>	Unknown to <u>(Unknown)</u>	Unknown to <u>(Unknown)</u>
ESTIMATED NET EFFECT ON THE OTHER STATE FUNDS	Unknown to <u>(Unknown)</u>	Unknown to <u>(Unknown)</u>	Unknown to <u>(Unknown)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
LOCAL POLITICAL SUBDIVISIONS			
<u>Cost - potential increase or decrease in fuel costs</u>	Unknown to <u>(Unknown)</u>	Unknown to <u>(Unknown)</u>	Unknown to <u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	Unknown to <u>(Unknown)</u>	Unknown to <u>(Unknown)</u>	Unknown to <u>(Unknown)</u>

FISCAL IMPACT – Small Business

Small biodiesel producers and feedstock producers could see a positive impact as a result of this proposal. Small businesses could also be impacted due to an increase or decrease in fuel prices as a result of this proposal.

FISCAL DESCRIPTION

This act creates the Missouri Made Fuels Act.

Under the act, all diesel fuel sold or offered for sale in Missouri for use in internal combustion engines shall contain at least the following stated percentage of biodiesel fuel oil by volume on and after the following dates:

- 1) April 1, 2023, until March 31, 2024, 5%;
- 2) April 1, 2024, 10%;

The minimum content levels shall be in effect during the months of April, May, June, July, August, September, and October, except in certain circumstances set forth in the act.

The minimum content levels shall go into effect when the Director of the Department of Agriculture submits notice in the Missouri Register that certain conditions set forth in the act have been met and the state is prepared to move to the next scheduled minimum content level.

The minimum biodiesel content levels shall not apply to certain equipment listed in the act.

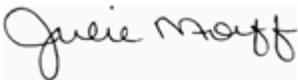
Requirements for bills of lading or shipping manifests for diesel fuel and for biodiesel-blended products are listed in the act.

A violation of the act is a Class A misdemeanor.

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 Natural Resources
Department of Transportation
Office of the Governor
Missouri Senate
Missouri House of Representatives
Office of Administration
Office of the Secretary of State
Joint Committee on Administrative Rules
Office of Prosecution Services
Attorney General's Office
Department of Corrections
Office of the State Public Defender
Department of Revenue
Office of the State Courts Administrator
Missouri Department of Conservation



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February 24, 2021



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February 24, 2021