

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 2325-02
BILL NO.: HB 2039
SUBJECT: Oxygenated Gasoline
TYPE: Original
DATE: March 1, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue** assume their agency would not be fiscally impacted by the proposed legislation.

Officials from the **Department of Natural Resources** assume that because this bill places responsibility for implementing the statewide gasoline oxygen requirement on the Department of Agriculture, this bill will have no fiscal impact upon the Department of Natural Resources.

However, if this bill becomes law, the Department's State Implementation Plan for the reduction of VOC emissions in ozone non attainment areas (St. Louis) and in ozone maintenance areas (Kansas City) may be impacted. If the new fuel requirements have fewer emissions reductions, those reductions would have to be made up with new strategies. This would require the state to seek additional air pollutant reductions from businesses already regulated or the state may be required to regulate smaller businesses in the non attainment area.

Furthermore, because the federal Clean Air Act mandates only 2.0 weight percent oxygen for the federal RFG program, the Department would have to request a Section 211 (c)(4)(C) fuel waiver [per the CAAA] to make this 2.7% statewide oxygen requirement federally enforceable in the St. Louis RFG area. The federal conventional gasoline regulations allow the use of oxygenates, but there is no rule that specifies that oxygenates must be used. Therefore, the Department would have to request another waiver under Section 211 (c)(4)(C) to make the statewide oxygen requirement federally enforceable for the rest of the state.

Officials from the **Department of Agriculture** assume that their agency can absorb those costs relating to the new duties addressed in this proposed legislation that pertain to the scope of this fiscal note.

However, this proposal requires 50% of all gasoline sold or offered for sale shall contain at least twenty-seven thousandths oxygen by weight after August 28, 2003, which is in fiscal year 2004. Therefore, AGR notes that additional resources and the required expenses would be necessary in FY 04 to fulfill their requirements of this component of the proposal. Such expenses are not reflected in the fiscal impact summary noted below as FY 04 is beyond the scope of this fiscal note. AGR noted that the following personnel and expenses would be needed at that time. Their Fuel Quality Program will require one additional Chemist to handle the extra testing of all gasoline samples as well as instructing the service station operators, suppliers and terminals as to the requirements. One additional Fuel Device Safety Inspector will be required to assist in enforcement of the labeling and documentation requirements. One Auditor will audit records at

ASSUMPTION (continued)

terminals and refineries. The chemist will use an existing gas chromatography and the inspector will require a pickup truck, camper shell, sample collection equipment and oxygenate analyzer. The existing three inspectors will also use an oxygenate analyzer.

The chemist will be responsible for performing the oxygenate tests and contacting all sellers not complying with the labeling requirements. This new requirement will require one additional Fuel Device Safety Inspector to offset the loss in inspection time of the present three inspectors performing fuel quality inspections and sampling. Two inspectors will carry portable oxygenate analyzers and will be used as needed for enforcement purposes. The auditor will inspect records at terminals and refineries. Considerable increase in follow-up inspections is expected. The Fuel Quality Program is currently inspecting 55% of the service stations annually.

Officials from the **Department of Transportation** (MoDOT) assume federal funding will be reduced since the tax on 7.7% ethanol is 6.658 cents less than the tax on gasoline. This legislation will result in a loss beginning in October, 2004. Therefore, the loss to the Road Fund is \$57,678,000 in FY 2005; \$78,057,000 in FY 2006; \$79,228,000 in FY 2007; and \$120,834,000 in FY 2008.

The cost to covert MoDOT fueling stations will be negligible. However, the potential cost of fuel is unknown since the current fuel cost is variable and the potential increase in gallons purchased due to less burning efficiency is unknown.

The usage percentages are 50% in August, 2003; 75% in August, 2005; and 100% in August, 2007.

The associated loss to cities and counties is \$14,419,000 in FY 2005; \$19,514,000 for FY 2006; \$19,807,000 for FY 2007, and \$30,209,000 in FY 2008.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

L.R. NO. 2325-02
BILL NO. HB 2039
PAGE 4 OF 5
March 1, 2000

FISCAL IMPACT - Small Business

AGR noted that this proposed legislation will require the labeling of gasoline dispensers that contain non-oxygenate gasoline that are located at service stations; thus, they will incur the labeling cost plus the cost for labor to install the labels. Additionally, AGR noted that bulk storage suppliers will be required to have more storage tanks to segregate products. Furthermore, additional paperwork will be required to specify the amount of oxygenate with delivery tickets. Lastly, gasoline prices are expected to be higher.

DESCRIPTION

This proposal requires that 50% of gasoline sold in Missouri after August 28, 2003, contain at least twenty-seven thousandths oxygen by weight. After August 28, 2005, the requirement is increased to 75%. Then after August 28, 2007, all gasoline sold in Missouri must contain this amount of oxygen.

Exceptions to the oxygenate requirement include airports, marinas, mooring facilities, resorts, public or private racing facilities, historic vehicles, off-road vehicles, motorcycles, boats, snowmobiles, small engines, and unleaded premium grade gasoline.

The proposal also exempts any area of the state subject to the requirements of the federal reformulated gasoline program, but only during the times of the year when oxygenated gasoline does not meet such requirements.

The proposal provides for labeling, inspection, sampling, adulteration, record keeping, transport, and storage requirements.

Nothing in the bill is intended to result in any violation of the Federal Clean Air Act, as amended, 42 U.S.C. 7401, et seq.

This legislation is not federally mandated and would not require additional capital improvements or rental space, but would duplicate an existing program. AGR noted that their Division of Weights and Measures, Fuel Quality Program currently administers fuel quality testing. Specifications have been promulgated by regulations that meet industry standards. These requirements can be found in Chapter 414, RSMo and 2 CSR 90-30.040 Quality Standards for DESCRIPTION (continued)

Motor Fuel in the Missouri Code of State Regulations. MoDOT noted that the Missouri State Implementation Plan (SIP) submitted by DNR and approved by the Environmental Protection Agency under the Clean Air Act (CAA) includes provisions for reformulated gasoline (RFG) in the St. Louis non-attainment area. St. Louis and Kansas City previously "opted-in" reformulated

AK:LR:OD:005 (9-94)

L.R. NO. 2325-02
BILL NO. HB 2039
PAGE 5 OF 5
March 1, 2000

gas and to that extent, this legislation duplicates that effort.

SOURCES OF INFORMATION

Department of Agriculture
Department of Natural Resources
Department of Revenue
Department of Transportation

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is written in a cursive style with a large initial "J".

Jeanne Jarrett, CPA
Director
March 1, 2000