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FISCAL NOTE

Drafting Number:	LLS 20-0339	Date:	January 24, 2020
Prime Sponsors:	Sen. Fenberg Rep. Jaquez Lewis	Bill Status:	Senate Transportation
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Bill Topic: STATEWIDE BIODIESEL BLEND REQUIREMENT FOR DIESEL SALES

Summary of Fiscal Impact:

<input type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> Local Government
<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

This bill phases in a requirement that all diesel sold in the state be blended with 10 percent biodiesel by January 1, 2023. It will increase state workload in FY 2020-21 and may impact state and local government expenditures on an ongoing basis.

Appropriation Summary: No appropriation is required.

Fiscal Note Status: The fiscal note reflects the introduced bill recommended by the Energy Legislation Review Interim Study Committee.

Summary of Legislation

This bill requires all diesel fuel sold or offered for sale in Colorado between June 1 and September 15 each year to be blended with a percentage of biodiesel and phases in an implementation schedule as follows: diesel must contain at least 5 percent biodiesel (B5) by June 1, 2021, and at least 10 percent biodiesel (B10) by June 1, 2023.

The Air Quality Control Commission in the Department of Public Health and Environment (CDPHE), in consultation with the Division of Oil and Public Safety in the Department of Labor and Employment (CDLE), must promulgate rules to:

- establish a waiver process by which a distributor or retailer of diesel fuel may seek a temporary waiver from the biodiesel requirements for good cause shown, such as demonstrating an extreme disruption in the supply of biodiesel or extreme weather conditions; and
- require the labeling of biodiesel-blended fuel to reflect the percentage of biodiesel included in the blended fuel.

The commission may promulgate rules as it deems necessary to implement the bill, which may include accelerating the timeline for increasing the blending standard or further increasing the blending standard.

Background

According to the U.S. Energy Information Administration, over 700 million gallons of diesel was sold to an end user in Colorado in 2017. All manner of diesel fuels are administered and reported in the same way under the Colorado International Fuel Tax Agreement.

State Expenditures

The Air Quality Control Commission in CDPHE, in consultation with the Division of Oil and Public Safety in CDLE, will conduct rulemaking in FY 2020-21 within its existing rulemaking resources.

The fiscal note assumes that additional costs will be addressed through the annual budget process once rulemaking is finalized. Potential costs for inspections, fuel testing, and enforcement may be incurred by either or both the CDPHE and the CDLE. For example, if the Division of Oil and Public Safety's Petroleum Laboratory in CDLE will test the fuel under its regulatory authority over retail fuel dispensers and petroleum storage tanks, it will require a biodiesel blended fuel analyzer and supplies estimated at \$200,000 paid from its cash fund.

Beginning in FY 2020-21, state agencies that operate or maintain diesel vehicles and generators, including, but not limited to, the Departments of Corrections, Natural Resources, Personnel, and Transportation, may have a minimal increase in diesel costs. As the cost of fuel is always in flux, it is assumed that no change in appropriations is required.

Local Government

Similar to the state, local governments that operate or maintain diesel vehicles and generators may have a minimal increase in diesel costs.

Effective Date

The bill takes effect August 5, 2020, if the General Assembly adjourns on May 6, 2020, as scheduled, and no referendum petition is filed.

State and Local Government Contacts

Colorado Energy Office
Labor
Municipalities
Public Health and Environment
Revenue

Corrections
Law
Natural Resources
Public Safety
Special Districts

Counties
Military Affairs
Personnel
Regulatory Agencies
Transportation