

# Legislative Analysis



## BIODIESEL FUEL REQ.; REGULATE DIESEL FUEL

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**House Bill 4235**

**Sponsor: Rep. Neal Nitz**

**Committee: Agriculture**

**Complete to 4-12-05**

### A SUMMARY OF HOUSE BILL 4235 AS INTRODUCED 2-8-05

The Motor Fuels Quality Act (MCL 290.642 et al.) regulates the sale and quality of gasoline sold or offered for sale in the state. The act specifically requires the director of the Department of Agriculture to establish standards relating to the purity and quality of gasoline sold or offered for sale in the state and standards for the amount and type of additives allowed to be included in gasoline. The bill would require the director to establish similar standards for diesel fuel as well, and extend other general requirements relating to the sale of gasoline to include diesel fuel.

Further, the bill specifies that beginning June 30, 2006, the director would annually determine the in-state production capacity of biodiesel fuel. Diesel fuel sold or offered for sale in the state would have to include at least two percent biodiesel 30 days after the director certifies that the annual biodiesel production capacity exceeds 12 million gallons, but no earlier than January 1, 2007. The biodiesel requirement would not apply to diesel fuel sold for use in railroad locomotives or off-road taconite and copper mining equipment.

The bill would define "biodiesel" to generally mean a fuel derived from vegetable oils or animal fats meeting the standards for B100 as specified by the American Society for Testing and Materials and approved by the state Department of Agriculture.

### FISCAL IMPACT:

The Department of Agriculture estimates that on-going costs of a new diesel inspection and testing program would be approximately \$792,000 per year. This represents the costs of field inspectors (six full-time equated positions) and additional laboratory staffing costs (two full-time equated positions). In addition, the department indicates that the program would require approximately \$549,000 in one-time laboratory equipment costs. The above costs do not reflect costs of potential upgrades necessary to the East Lansing laboratory. The new program would not generate additional revenue. Distributors and retail dealers currently pay a single license fee under the Motor Fuels Quality Act.

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