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**FISCAL IMPACT STATEMENT**

**LS 7311**

**BILL NUMBER: HB 1444**

**NOTE PREPARED: Jan 22, 2004**

**BILL AMENDED:**

**SUBJECT: Biodiesel Fuel.**

**FIRST AUTHOR: Rep. LaPlante**

**FIRST SPONSOR:**

**BILL STATUS: As Introduced**

**FUNDS AFFECTED: X GENERAL  
DEDICATED  
FEDERAL**

**IMPACT: State**

**Summary of Legislation:** This bill requires all diesel fuel sold in Indiana to contain at least 2% biodiesel.

**Effective Date:** July 1, 2004.

**Explanation of State Expenditures:** Upon determination by the Commissioner of Agriculture that the state's annual production capacity of biodiesel exceeds 12 M gallons, the bill requires that diesel fuel sold in Indiana contain at least 2% biodiesel. (Diesel sold for railroad locomotives and mining are exempt from the requirement.) In 2001, fuel suppliers sold approximately 1.6 B gallons of unblended diesel in Indiana.

This bill could increase state expenditures to the extent that state-owned diesel-powered vehicles and machinery would be required to use biodiesel fuel. It is estimated that a gallon of 2% biodiesel blend costs approximately one cent per gallon more than unblended fuel. However, as biodiesel production increases, the price of blended fuel may fall below that of pure petroleum diesel.

The future impact of this provision on state expenditures is indeterminable.

*Background Information:* Biodiesel is the name of an alternative fuel produced from domestic, renewable resources. Biodiesel contains no petroleum, but it can be blended at any level (most commonly 2% to 20% by volume biodiesel) with petroleum diesel to create a biodiesel blend. It can be used in compression-ignition (diesel) engines with little or no modifications. Biodiesel is made through a chemical process called transesterification whereby the glycerin is separated from the fat or vegetable oil. The process leaves behind two products: methyl esters (the chemical name for biodiesel) and glycerin (a valuable byproduct usually sold to be used in soaps and other products).

As a point of information, state law (IC 5-22-15-19) currently offers a 10% price preference for the purchase of diesel fuel that is 20% biodiesel by volume.

**Explanation of State Revenues:** (Revised) This provision is not expected to impact state fuel tax revenue. However, if all diesel fuel sold in Indiana is required to contain 2% biodiesel, diesel fuel prices could increase. An increase in the per gallon price of diesel fuel would increase revenue for the state's 6% Sales Tax.

Sales Tax revenue is deposited in the: Property Tax Replacement Fund (50%), the State General Fund (49.192%), the Public Mass Transportation Fund (0.635%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Loan Fund (0.033%).

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Commissioner of Agriculture; All agencies with diesel-powered vehicles.

**Local Agencies Affected:**

**Information Sources:** National Biodiesel Board, 1-800-841-5849; Jerry Ban, Crystal Flash, 879-2849; Energy Information Agency, U.S. Department of Energy.

**Fiscal Analyst:** John Parkey, 317-232-9854.