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SFA

BILL ANALYSIS

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House Bill 5005 (Substitute H-2 as reported without amendment)
Sponsor: Representative Larry Julian
House Committee: Transportation
Senate Committee: Transportation and Tourism

CONTENT

The bill would amend the Motor Fuels Quality Act to do the following:

- Remove the distinction between "leaded" and "unleaded" gasoline in grading standards.
- Phase in a license fee increase from \$15 to \$100 for gasoline distributors and retail dealers.
- Require the Department of Agriculture to review the proposed fee structure and the status of the Gasoline Inspection and Testing Fund in 2003, and report to the Legislature by 2004.
- Increase administrative fines for violations of the Act, and require the fines to be paid before a license could be renewed.
- Increase criminal fines.

Currently, the administrative fine is \$50-\$100 for a first violation of the Act or a rule promulgated under it; \$100-\$250 for a second violation within two years; and \$250-\$500 for a third violation within two years; plus (in each case) actual costs of the investigation and the amount of any economic benefit associated with the violation. Under the bill, the fine would be \$100-\$500 for a first violation; \$500-\$1,000 for a second violation within five years; and \$1,000-\$2,000 for a third violation within five years; plus the actual investigative costs and double the amount of economic benefit.

The Act also prescribes criminal penalties for the violation of specific prohibitions. A person is guilty of a misdemeanor punishable by up to 90 days' imprisonment and/or a fine of \$2,000-\$5,000 for a second violation within 24 months or for impersonation of the Director or a Department inspector. The bill would increase the maximum fine to \$10,000. A person is guilty of a felony punishable by imprisonment for up to two years, and/or a fine of \$5,000-\$10,000, for intentionally committing one of the prohibited acts, or for a third violation within 24 months. The bill would increase this fine to an amount not less than \$10,000 and not more than \$15,000.

MCL 290.643 et al.

Legislative Analyst: C. Layman

FISCAL IMPACT

Under current law, the license to distribute or sell gasoline is \$15. The bill would increase the fee to \$100 over a three-year phase-in period. The initial increase from \$15 to \$50, effective August 1, 2002, would generate nearly \$200,000. Current annual license fee revenue (for fiscal year 2000-01) totaled almost \$77,000. The new annual amount would be \$277,000 under the bill. The second increase (from \$50 to \$75) would occur August 1, 2003, raising the annual fee revenue from \$277,000 to \$417,000. The third and final increase would occur on August 1, 2004, and generate an additional \$140,000 in annual fee revenue. Total annual fee revenue would be \$557,000 following the third fee increase.

The increase in administrative and criminal penalties would result in additional fine revenue assuming the same level of violations. The fiscal impact of these changes is indeterminate and would be contingent on the number and nature of the violations. Collections from motor fuel quality administrative fines ranged from a low of \$55,000 to a high of \$309,000 over the past four fiscal years. All revenue increases resulting from the administrative fine increases would be dedicated to the Gasoline Inspection and Testing Fund and used by the Department of Agriculture for gasoline and motor fuel testing activities.

Any increase in criminal fine revenue would be dedicated to public libraries.

Date Completed: 1-30-02

Fiscal Analyst: C. Thiel

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.