

Department of Legislative Services
2011 Session

FISCAL AND POLICY NOTE**Revised**

Senate Bill 961

(Senator Garagiola)

Education, Health, and Environmental Affairs

Health and Government Operations

State Vehicle Fleet and Gasoline Service Facilities - Use and Selling of Biofuels

This bill allows State vehicles and State-owned heavy equipment to use any other biofuel, in addition to 5% biodiesel (called B5), as long as it is approved by the U.S. Environmental Protection Agency (EPA) as a fuel or fuel additive or approved by the EPA Renewable Fuels Standard 2 Program, to meet the biodiesel requirements in current law. The bill also changes requirements governing the procurement of lessees for gasoline service facilities located on the John F. Kennedy Memorial Highway (JFK).

Fiscal Summary

State Effect: Potential operational and cost efficiencies for the Maryland Transportation Authority (MDTA) due to the bill's flexibility for MDTA to use one operator to redevelop both existing travel plazas on JFK under a public-private partnership. The bill's provisions related to biofuel are authorizing in nature, in that they expand the types of fuels that may be used in State vehicles and heavy equipment to meet the biofuel usage requirements set in statute. Most agencies advise that they have transitioned to B5 fuel for diesel-fueled vehicles and equipment. To the extent that alternatives to B5 that are approved by EPA in its final rulemaking are less expensive, the State may realize some fuel cost savings, but the cost differences of alternative fuels cannot be predicted.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The bill authorizes MDTA to require that lessees of MDTA-owned gasoline service facilities located on the JFK highway sell B5 or another EPA-approved

biofuel at those facilities. It also repeals requirements that at least two different companies be awarded leases of the facilities and that no single person may be awarded a lease for, have the use of, or have the right to market fuel under its brand name at more than half of the total number of service stations on the entire highway.

Current Law: Chapter 623 of 2007 requires that, beginning in fiscal 2009, at least half of the State's heavy equipment and heating equipment that uses diesel fuel must use a blend of fuel that is at least 5% biodiesel, subject to availability. It exempts any equipment whose manufacturer's warranty would be voided if the use of biodiesel fuel causes mechanical failure.

Chapter 425 of 2006 requires that at least 50% of diesel-fueled vehicles in the State vehicle fleet use a blend of fuel that is at least B5. It exempts vehicles whose manufacturer's warranties would be voided if the use of biodiesel fuel causes mechanical failure.

MDTA is authorized to construct gasoline service facilities on the JFK highway that it finds to be needed. The gas stations are required to be leased in accordance with State procurement law so that highway users have a reasonable choice of motor fuels. To promote competition and prevent monopolies, at least two different companies must operate the service stations located in the service areas along the highway. One person may not be awarded a lease for, or have the use of, more than one half of the total number of service stations on the entire highway. Also, one supplier, distributor, or retailer of motor fuel may not have the right to market fuel under its trademark, trade name, or brand at more than half of the total number of service stations on the entire highway.

Background: Biodiesel fuel offers some advantages over regular petroleum-based diesel fuel (RDF). According to EPA, biodiesel fuel reduces carbon monoxide, sulfur dioxide, and other harmful emissions from diesel-powered engines, although it slightly increases nitrous oxide emissions. Because it is produced from renewable sources such as vegetable oils and animal fat, it is also biodegradable, nontoxic, and less flammable than RDF. Diesel fuel blends consisting of 10% biodiesel fuel (called B10) or less can be stored in existing diesel fuel storage tanks and used in existing diesel engines without modifications. Increased use of domestically produced renewable fuel can help reduce the nation's dependence on imported oil.

However, biodiesel does have certain performance disadvantages. First, it burns slightly less efficiently than RDF, and it requires a special additive to keep it from congealing during the winter. Also, the cleansing effects of biodiesel loosen accumulated deposits in fuel tanks and lines, and often result in the need to replace fuel filters more often because they get clogged with accumulated deposits that have been loosened. The need to replace fuel filters may diminish with frequent use of biodiesel.

Most diesel engine manufacturers warranty new engines for the use of biodiesel up to a B5 blend; warranties for older engines likely do not address the use of biodiesel or do not warranty them.

In March 2010, EPA proposed changes to the Renewable Fuel Standards (RFS) required by the Energy Policy Act of 2005, which established the first renewable fuel standard. The RFS requires increasing volumes of renewable fuel to be included in the transportation fuel sold or introduced into commerce in the United States (except in noncontiguous states and territories) each year, reaching 36 billion gallons/year by 2022. The RFS established under the Energy Independence and Security Act of 2007 is an expansion of an RFS established under the Energy Policy Act of 2005, which had lower volume requirements than the current RFS.

Under the RFS, there is an overall renewable fuel requirement each year, as well as required amounts within the overall amount for “advanced biofuels” and two specific types of advanced biofuels, cellulosic biofuel, and biomass-based diesel. Advanced biofuel is defined in general as renewable fuel, other than ethanol derived from corn starch, which has lifecycle greenhouse gas emissions that are at least 50% less than baseline lifecycle greenhouse gas emissions (generally, the lifecycle emissions for the gasoline or diesel fuel that is being replaced).

To qualify under the EPA standards, a biofuel must meet greenhouse gas emission standards, which vary by type of fuel. By 2022, EPA predicts that the increased use of renewable fuels will decrease gasoline prices by 2.4 cents per gallon and decrease diesel costs by 12.1 cents per gallon.

Most State agencies advise that they have fully converted to B5 fuel in accordance with statutory requirements. One exception is the Maryland Transit Administration, which advises that it ceased using biodiesel in its buses due to operational issues. Specifically, in combination with ultra-low-sulfur diesel fuel, B5 clogged fuel filters and created algae and other growth in fueling systems. Therefore, under the exemption granted in current law, it stopped using biodiesel.

The JFK highway is the portion of Interstate 95 that runs north from Baltimore City to the Delaware border. It has two travel plazas owned by MDTA: Maryland House and Chesapeake House, each with multiple service stations that provide gasoline under different trade names. Under federal law, a state cannot permit automotive service stations or other commercial establishments that serve the travelling public to be constructed or located on the rights-of-way of the interstate highway system. However, exemptions are given for certain toll roads, including the JFK highway, that were built before the roads were designated as interstate highways.

MDTA advises that it intends to redevelop the travel plazas as public-private partnerships. Eliminating the restrictions on leasing gasoline service stations to more than one person enables one operator to redevelop both travel plazas, thereby achieving operational efficiencies and potentially yielding increased payments to the State. MDTA has not estimated the potential fiscal benefits for the State in the form of initial payments or ongoing revenue from the partnerships.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Budget and Management, Maryland Department of the Environment, Department of General Services, Maryland Department of Transportation, U.S. Environmental Protection Agency, Department of Legislative Services

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