

Department of Legislative Services
Maryland General Assembly
1999 Session

FISCAL NOTE
Revised

Senate Bill 274 (Senator Pinsky. *et al.*)

Economic and Environmental Affairs

Environment - Motor Vehicle Fuel - Sulfur Content

This bill addresses the concentration of sulfur in motor vehicle fuel manufactured and sold in the State after October 1, 2002.

Fiscal Summary

State Effect: Indeterminate but potentially significant increase in State expenditures for motor fuel.

Local Effect: Indeterminate but potentially significant increase in local government expenditures for motor fuel.

Small Business Effect: Potential meaningful impact on small businesses.

Fiscal Analysis

Bill Summary: This bill contains the following provisions:

- prohibits the manufacture and sale of motor vehicle gasoline that contains a concentration of sulfur that is greater than 40 parts per million per gallon of gasoline after October 1, 2002;
- a person is not in violation of the above provision as long as the person manufactures or sells gasoline during any 1-year period that has a sulfur content not more than 80 parts per million per gallon and during that same 1-year period has an average sulfur concentration of less than 30 parts per million per gallon;
- prohibits the manufacture and sale of motor vehicle diesel fuel with a

concentration of sulfur greater than 50 parts per million per gallon after the sooner of: (1) October 1, 2005; or (2) October 1 of the year that the Maryland Department of the Environment (MDE) reports to the General Assembly that motor vehicle manufacturers have introduced a significant number of diesel powered sport utility vehicles, minivans, and light trucks;

- requires MDE to adopt regulations to implement the provisions of the bill;
- requires MDE in consultation with the federal Environmental Protection Agency to report to the General Assembly by January 1, 2002 on the potential benefits to urban, and regional air quality of the establishment of maximum and average sulfur concentrations for gasoline that are lower than those specified in the bill; and
- requires MDE in consultation with the Motor Vehicle Administration to submit an annual report to the General Assembly beginning January 1, 2000 on the transition in the motor vehicle manufacturing industry to using diesel engines in place of gasoline engines in sport utility vehicles, minivans, and light trucks.

State Effect: Current law provides that motor fuel sold in Maryland must conform to the standards set by the United States Environmental Protection Agency (EPA). The Office of the Comptroller's Motor Fuel Tax Division is responsible for establishing and enforcing the standards for motor fuel, including sulfur content, sold in Maryland. These standards are set in accordance with EPA guidelines. The bill would lower the sulfur content in motor fuel to below the standard that has been certified acceptable by EPA. In addition, the bill would set sulfur limits below those that will be considered by EPA when it begins considering new regulations this March for fuel being sold after 2004.

Most of the motor fuel sold in Maryland is not manufactured in the State but rather shipped in via pipeline. In order to sell fuel that would meet the requirements of the bill, manufacturers would likely have to produce a new type of fuel in addition to the fuel sold in other parts of the country. Furthermore, manufacturers would face the dilemma of transporting the new fuel into the State. It is unlikely that the new motor fuel could be shipped via pipeline because it would intermingle with higher sulfur content fuel along the way and therefore not meet the requirement set forth in the bill. The alternative to the pipeline would be to ship via barge, which is expensive and it would likely result in substantially higher motor fuel prices for Maryland residents and State and local government agencies.

The reporting and enforcement activities required by the bill could be handled with existing budgeted resources of both the Motor Fuel Tax Unit and the Maryland Department of the Environment.

Local Effect: Local governments could pay higher motor fuel prices for fleet vehicles. The extent of any fuel cost increase cannot be reliably estimated at this time.

Small Business Effect: Small businesses could pay higher motor fuel prices for fleet vehicles. Small businesses involved in the distribution and sale of motor fuel would also be impacted. However, the extent of any fuel cost increase cannot be reliably estimated at this time. As a result, the direct impact on small businesses cannot be quantified at this time.

Information Source(s): Maryland Department of the Environment, Office of the Comptroller (Motor Fuel Tax Unit), Department of Legislative Services

Fiscal Note History: First Reader - February 8, 1999
nncsjr Revised - Corrected - February 23, 1999

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