

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE

House Bill 1063 (Delegate Franchot)
Commerce and Government Matters

Procurement - State-Owned Vehicles - Hybrid Electric Vehicles

This bill requires the State to purchase 250 hybrid electric vehicles in fiscal 2003.

The bill is effective June 1, 2002.

Fiscal Summary

State Effect: Increase in general fund expenditures of \$5.5 million in FY 2003. No impact on revenues.

(in dollars)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	5,500,000	0	0	0	0
Net Effect	(\$5,500,000)	\$0	\$0	\$0	\$0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: None applicable.

Background: Alternative fuels for vehicles are substantially non-petroleum and yield energy security and environmental benefits. The U. S. Department of Energy (DOE) currently recognizes the following as alternative fuels: (1) methanol and denatured

ethanol as alcohol fuels (alcohol mixtures that contain no less than 70% of the alcohol fuel); (2) natural gas (compressed or liquefied); (3) liquefied petroleum gas; (4) hydrogen; (5) coal-derived liquid fuels; (6) fuels derived from biological materials; and (7) electricity (including solar energy).

Under the federal Energy Policy Act (EPAct) of 1992, many fleets of vehicles, including the State's fleet, are subject to alternative fuel vehicle acquisition requirements. For example, for light-duty vehicles that are model year 2001 and later, 75% of the covered vehicle acquisitions must be for alternative fuel vehicles.

A hybrid electric vehicle combines the internal combustion engine of a conventional vehicle with an electric motor and can achieve about twice the fuel economy of a conventional vehicle. An energy storage system, such as batteries, stores the power to run the electric motor. According to DOE, commercially available hybrid electric vehicles do not meet the requirements of an alternative fuel vehicle for the fleet acquisition requirements because, they are not primarily powered by an electric motor.

For State procurement purposes, a Type 1 vehicle is a standard four-door vehicle providing transportation for up to four people. The commercially available hybrid electric vehicles would qualify as Type 1 vehicles for State procurement purchases but would not meet the requirement for purchases of alternative fuel vehicles. Failure to meet the federal requirement for the percentage of vehicle purchases that are alternative fuel vehicle purchases could result in federal penalties.

During the last procurement cycle, the Department of Budget and Management (DBM) purchased 142 Type 1 vehicles, a mix of standard and alternative fuel vehicles, at an average cost of \$11,000 per vehicle.

State Expenditures: DBM advises that the average cost of a hybrid vehicle is \$22,000. Based on this, general fund expenditures would increase by \$5.5 million to purchase 250 vehicles.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of General Services, Department of Budget and Management, Department of Legislative Services

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lc/jr

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