

Department of Legislative Services
 Maryland General Assembly
 2003 Session

FISCAL AND POLICY NOTE

House Bill 1070 (Delegate Franchot, *et al.*)
 Health and Government Operations

Procurement - State-Owned Vehicles - Hybrid Electric Vehicles

This bill requires that 250 of the vehicles the State purchases in fiscal 2004 must be hybrid electric.

The bill is effective June 1, 2003.

Fiscal Summary

State Effect: This bill would increase general fund expenditures by \$467,600 in FY 2004 due to the higher cost of hybrid electric vehicles.

(in dollars)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	467,600	0	0	0	0
Net Effect	(\$467,600)	\$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: 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) compressed or liquefied natural gas (CNG or LNG); (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 (AFVs). Several classes of vehicles are exempt, including police vehicles, EMT vehicles, and take home vehicles. In addition, the regulations apply only to State vehicles in operation in given geographic areas, primarily metropolitan areas.

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.

Commercially available hybrid electric vehicles would only qualify as Type I 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. The State can meet the federal requirements by purchasing non-Type I alternative fuel vehicles. For State procurement purposes, a Type I vehicle is a standard four-door vehicle providing transportation for up to four people.

During fiscal 2003, the Department of Budget and Management (DBM) has purchased 100 Type I vehicles at an average cost of \$10,118 per vehicle. The average cost of a hybrid electric vehicle is \$19,469 according to DBM. One-hundred ten Type I vehicles were purchased in fiscal 2002. DBM does not anticipate the purchase of additional vehicles in fiscal 2003. Only five Type I vehicle purchases in fiscal 2003 have been hybrid electric (one) or alternative fuel vehicles (four CNG).

State Expenditures: General fund expenditures will increase by \$467,550 in fiscal 2004. Based on the Governor's proposed fiscal 2004 budget, the State will purchase approximately 50 Type I vehicles in fiscal 2004. This bill requires all these Type I vehicle purchases be hybrid electric. A hybrid electric vehicle costs an average of \$9,351 more than a typical Type I vehicle.

If this bill requires the purchase of 250 hybrid electric vehicles, regardless of Type I purchasing requests by the agencies, an additional 200 vehicles would be required. Additional general fund expenditures would be \$1.9 million.

Additional Information

Prior Introductions: In 2002, HB 1063, a similar bill, received an unfavorable report in Commerce and Government Matters.

Cross File: None.

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

Fiscal Note History: First Reader - March 13, 2003
lc/jr

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