

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE

House Bill 1038 (Delegate Ross, *et al.*)
Environmental Matters

Environment - Fast-Fill Compressed Natural Gas Station Program

This bill creates a program that would provide grants to local jurisdictions to build fast-fill Compressed Natural Gas (CNG) stations. The bill directs the Maryland Energy Administration (MEA) to administer the program and to establish application procedures by September 1, 2003. To be eligible, local jurisdictions must submit an application by November 1, 2003 and demonstrate that they can provide 25% of the costs of constructing a fast-fill station. MEA must award grants to the first five eligible jurisdictions that apply to the program. A local jurisdiction can only use program grant funds to pay up to 75% of the cost of building a CNG station.

The bill is effective July 1, 2003 and terminates June 30, 2008.

Fiscal Summary

State Effect: General fund expenditures would increase significantly in FY 2004 to 2008. The exact expenditure level will vary according to the size of the grant. Under one scenario, expenditures would increase by \$375,000 annually while the program is active.

Local Effect: Potentially significant increase in revenues for those jurisdictions that qualify and choose to apply for the grant. Local government expenditures would also increase for the required match.

Small Business Effect: Minimal.

Analysis

Current Law: MEA is responsible for providing technical and financial assistance to any city, county, or nonprofit organization to carry out energy management and conservation practices.

Background: Natural gas consists mostly of methane gas and other hydrocarbon compounds and is stored under pressure to reduce its volume. Compressed natural gas (CNG) is further condensed to allow on-board storage at pressures of 3,000 to 3,600 per square inch. Fast-fill CNG fueling stations are designed to serve vehicles that use natural gas as fuel so that those vehicles can refuel quickly (in approximately the same time as gasoline or diesel-powered vehicles).

The Advanced Technology Vehicle Program (ATV), a public-private partnership formed by state and regional agencies and private companies, has awarded almost \$1.7 million in grants to support the purchase of alternative fuel vehicles. The program is part of the Maryland Department of Transportation's (MDOT) Transportation Emission Reduction Measures Program that began in 1999 to improve air quality in the State. Through the program, three new CNG refueling stations have been installed, in addition to 12 that operate in the Baltimore-Washington area. The new stations, which received over \$400,000 in State funds, were built at the Dundalk Marine Terminal in Baltimore, Annapolis, and Howard County. MDOT is providing funds through its capital program (\$12.2 million in fiscal 2004) to purchase CNG bus replacements and refueling stations in Montgomery County.

The U.S. Environmental Protection Agency recently downgraded the Washington Metropolitan region's compliance status with federal ozone standards from serious nonattainment to severe nonattainment. The region, which includes Calvert, Charles, Frederick, Montgomery, and Prince George's counties, failed to meet a November 1999 deadline for complying with federal clean-air standards. The Metropolitan Washington Council of Governments indicated that measures to comply with the standards could include a ban on construction on high ozone days, higher gasoline taxes, and new standards for power plants. The Baltimore region is also classified as a severe nonattainment area.

State Expenditures: General fund expenditures will increase significantly and will vary according to the demand for grants by local governments and the size of the grant. MEA advises that a small station costs approximately \$150,000, a medium-sized station costs \$400,000, and a large station costs \$1 million to construct.

Assuming that MEA receives the maximum number of grants allowed under the bill (five) for one large station, two medium stations, and two small stations, the five-year expenditure would be \$1.9 million or \$375,000 annually from fiscal 2004 to 2008. This estimate includes \$60,000 for annual contractual services and assumes that the bill allows up to five grants total. However, the amount could increase significantly (up to \$5 million total) if more large stations are requested or decrease if fewer local jurisdictions participate or plan to build smaller stations.

The Department of Legislative Services observes that federal and private sector funds have been used to construct CNG stations in Maryland. If those funds are available to the State for the stations envisioned by the bill, expenditures would decrease. The potential contributions cannot be estimated at this time.

Local Fiscal Effect: Local government revenues for constructing CNG fast-fill stations would increase significantly by receiving 75% of the related costs. The local jurisdiction's expenditures would increase to the extent it must match 25% of the grant. If a county planned to build a station that costs \$500,000, for example, it would contribute \$125,000.

Additional Information

Prior Introductions: None.

Cross File: SB 163 (Senator Pinsky, *et al.*) – Education, Health, and Environmental Affairs.

Information Source(s): Prince George's County, Charles County, Maryland Green Buildings Council, Maryland Energy Administration, Frederick County, Department of Legislative Services

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