SB 575

Department of Legislative Services

Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

Senate Bill 575 (Senator Teitelbaum, *et al.*)
Education, Health, and Environmental Affairs

Procurement - ILEV and Qualified Hybrid Vehicles - Government Purchases

This bill requires the State, counties, and municipal corporations to ensure that at least 15% of the jurisdiction's new passenger cars, light trucks, and buses purchased during each fiscal year are Inherently Low Emission Vehicles (ILEVs) or qualified hybrid vehicles.

The Secretary of Budget and Management, with respect to vehicles purchased by the State, and the local governing body of each political subdivision, with respect to vehicles purchased by the subdivision, are required to report annually to the General Assembly on compliance with the provisions of this bill.

The bill is effective July 1, 2004.

Fiscal Summary

State Effect: State expenditures could increase by $1.2 million in FY 2005 to purchase qualified hybrid vehicles. Future year expenditures would vary based on volume of vehicle purchases and shifts in the cost of ILEVs and qualified hybrid vehicles. Estimates here reflect 3% inflation.

($ in millions)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Revenues	$0	$0	$0	$0	$0
GF/SF/FF Exp.	1.4	1.4	1.5	1.5	1.6
Net Effect	($1.4)	($1.4)	($1.5)	($1.5)	($1.6)

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

Local Effect: Potential significant increase in expenditures for local governments. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: None.

Analysis

Bill Summary: The bill defines ILEVs as vehicles that conform to certification and labeling requirements of federal regulations in 40 C.F.R. Part 88. Qualified hybrid vehicles are defined as those vehicles that meet all applicable regulatory requirements, meet current vehicle exhaust standards set under the Low-Emission Vehicle Program for gasoline-powered passenger cars, and can draw propulsion energy from both gasoline or diesel fuel and a rechargeable energy storage system.

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. Only five Type I vehicle purchases in fiscal 2003 have been hybrid electric (one) or alternative fuel vehicles (four CNG).

State Expenditures: DBM advises that ILEVs cost approximately $10,100 more per vehicle than gasoline fueled vehicles and that qualified hybrid vehicles cost $9,225 more. DBM further advises that the State will purchase approximately 1,000 vehicles in fiscal 2005. This bill would require 150 of those vehicles to be ILEV or qualified hybrid. DBM estimates that if it purchased the 150 required vehicles from the qualified hybrid vehicle category, at a net cost increase of $9,225 per vehicle, State expenditures would increase, all funds, by $1.4 million. DBM advises that it could purchase 150 ILEV vehicles that would meet both the requirements of the federal EPAct and the provisions of this bill. The department advises that the net cost increase would be identical to purchasing 145 AFVs to satisfy EPAct and 150 qualified hybrids to meet the requirements of this bill.

Local Expenditures: To the extent that local governments purchase new vehicles in any year, expenditures would increase substantially. In addition, while the State can mitigate cost increases with its buying power, local jurisdictions may see greater cost increases for their purchases. The Department of Legislative Services notes that in some cases, additional fueling stations or recharging facilities would need to be built in local jurisdictions, increasing capital expenditures as well.

Baltimore City indicates that it purchases approximately 350 new vehicles annually. Applying the $9,225 average cost increase for qualified hybrid vehicles to the data provided by the city, expenditures for vehicles in Baltimore City would increase $488,925. Allegany County advises that it purchases a new vehicle approximately once every three to four years and that vehicle purchases are typically for the Sheriff's Department, vans for county transit programs, or heavy trucks.

Additional Comments: *Montgomery, Prince George's, Talbot, and Wicomico counties did not respond to a request for fiscal impact.*

Additional Information

Prior Introductions: In 2003, HB 348 and SB 720, similar bills, were heard in the House Health and Government Operations and Senate Education, Health, and Environmental Affairs committees, respectively. In 2002, HB 1063, a similar bill, received an unfavorable report in Commerce and Government Matters.

Cross File: None.

Information Source(s): Allegany County, Department of General Services, Department of Budget and Management, Baltimore City, Department of Legislative Services

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