

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

House Bill 1222 (Chairman, Economic Matters Committee)
(By Request – Departmental – Energy Administration, Maryland)
Economic Matters Education, Health, and Environmental
Affairs

State Standby Petroleum Fuel Set-Aside Program - Extension

This departmental bill extends the termination date of the State Standby Petroleum Fuel Set-Aside Program from July 1, 2005 to July 1, 2010.

The bill takes effect July 1, 2005.

Fiscal Summary

State Effect: The potential for general fund expenditures for program implementation in the event of an emergency fuel shortage continues (approximately \$50,000 based on prior experience). The actual amount would depend on the nature and severity of any fuel shortage.

Local Effect: None.

Small Business Effect: The Maryland Energy Administration (MEA) has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Current Law: The State Standby Petroleum Fuel Set-Aside Program will terminate July 1, 2005.

Background: The ability to assign fuels from an emergency set-aside was previously authorized under federal law which expired. During the 1973 and 1978 oil emergencies and the 1974 and the 1979 gasoline emergencies, the State relied heavily on the federal set-aside program to mitigate hardship. In 1982, the General Assembly established the State Standby Petroleum Fuel Set-Aside Program to require MEA to establish and maintain a standby petroleum set-aside for use during a severe energy emergency. The program allows the State to assign a portion of the motor gasoline, middle distillate, propane, certain residual oil, and aviation gasoline received in the State to priority activities in the event that the Governor declares a state of emergency due to a severe shortfall of any of those fuels. Since the program was established, the State has not needed to invoke the set-aside program.

State Expenditures: If the Governor declares a state of emergency due to a severe shortfall of any of the specified fuels, there is a potential for State expenditures to implement the program. Based on the State's implementation of the federal set-aside in 1979 and on subsequent drills and training, general fund expenditures could increase by \$50,000. Actual expenditures will depend on the nature and severity of the crisis. If there is no energy crisis, State expenditures will not be affected. According to MEA, an energy crisis is highly unlikely.

Additional Information

Prior Introductions: The program has been reauthorized periodically since its initial enactment in 1982. In 2000, Chapter 37 extended the program until July 1, 2005. In 1995, Chapter 461 extended the program until July 1, 2000. In 1998, Chapter 56 extended indefinitely the Governor's power to declare an energy crisis or emergency and to take actions necessary to protect the citizens of the State.

Cross File: None.

Information Source(s): Maryland Energy Administration, Department of Legislative Services

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