

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE

Senate Bill 427 (Senator Giannetti, *et al.*)
 Education, Health, and Environmental Affairs

State-Owned Vehicles - Biodiesel Fuel

This bill requires in fiscal 2007 and each subsequent year, that at least 20% of diesel-fueled State vehicles use a blend of fuel that is at least 20% biodiesel fuel. Biodiesel fuel is defined as an alternative motor fuel produced from a renewable resource such as vegetable oil or animal fat.

Fiscal Summary

State Effect: Special fund expenditures could increase by \$1.2 million annually to convert 20% of the Maryland Department of Transportation’s (MDOT) fleet of diesel vehicles to a biodiesel blend. State expenditures could be higher if other State agencies are affected or if the additional fuel cost exceeds \$0.20 per gallon. Revenues would not be affected.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Revenues	\$0	\$0	\$0	\$0	\$0
SF Expenditure	0	1,200,000	1,200,000	1,200,000	1,200,000
Net Effect	\$0	(\$1,200,000)	(\$1,200,000)	(\$1,200,000)	(\$1,200,000)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: The State is not required to use biodiesel fuel for State vehicles.

Background: Biodiesel fuel produces reduced carbon dioxide and sulfur dioxide emissions. Additionally, biodiesel fuel is biodegradable, nontoxic, and has a higher flash point (*i.e.*, the temperature at which it ignites). Existing diesel engines require no modification to run on biodiesel blends up to 20% biodiesel/diesel (B20). Storage tanks and pumps do not require modification to store/distribute biodiesel blends.

State Fiscal Effect: The MDOT fleet includes 2,476 diesel-fueled vehicles. Specifically, within the Maryland Transit Administration (MTA), the 800 MTA buses require 8 million gallons of diesel annually. MTA was paying \$1.44 per gallon in January 2005.

While estimates as to the costs associated with B20 blended fuel vary from an additional \$0.12 per gallon to \$1.00 per gallon over current costs, for purposes of this fiscal note it is assumed that B20 blended fuel costs approximately \$0.20 per gallon more than current diesel fuel. However, this cost premium for biodiesel fuel is currently subsidized in limited part by a federal biodiesel fuel tax credit program. This program is designed to provide incentives for biodiesel fuel production. The program is slated to terminate on December 31, 2006.

Assuming a \$0.20 per gallon biodiesel premium, an additional \$1.6 million in State funds would be needed to convert the entire diesel fleet of MTA buses to B20 blend fuel, or \$320,000 for the 20% required by the bill. Estimates also vary on the impact of B20 blend fuel on vehicle mileage. MTA advises that B20 blend fuel could decrease vehicle mileage by 2-3% from regular diesel fuel (RDF). This could require the purchase of 2-3% more fuel, purchased at the ratio of 80% RDF to 20% B20 blend. If the mileage of these vehicles decreases 2.5%, the additional cost associated will be \$59,200. The total cost of converting 20% of MTA buses to B20 blend fuel is therefore \$379,200.

In that MTA has 32.3% of the total MDOT fleet, a reasonable estimate of the cost of the bill is \$1.2 million to convert 20% of the MDOT fleet to B20 blend fuel. These costs would come in the form of Transportation Trust Fund expenditures. If State vehicles in other agencies are required to use biodiesel fuel, State expenditures could be higher.

In order to utilize B20 or other fuel blends, the State would need a distribution contract for the transportation of the fuel to a State filling facility. The cost of a transportation and supply contract cannot be reliably estimated at this time.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of General Services, Maryland Department of the Environment, Department of Budget and Management, Maryland Department of Transportation, Department of Legislative Services

Fiscal Note History: First Reader - March 2, 2005
ncs/hlb

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