

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

House Bill 1189
Economic Matters

(Delegate O'Donnell)

Business Regulation - Fuel - Certification

This bill prohibits State agencies from introducing legislation or regulations that increase crude oil consumption in producing the fuel unless they certify in writing that an alternative is not available or cost effective. It also requires in-State suppliers or marketers of bio-fuel to give preference to in-State bio-fuel producers if those producers offer prices and contract terms that are equivalent to or better than those of out-of-state suppliers.

The bill terminates on September 30, 2009.

Fiscal Summary

State Effect: Potentially significant. The bill's effects cannot be quantified, but State agencies would have to expend considerable resources gauging the effect of proposed legislation on fuel consumption, and on tracking whether cost-effective alternatives to their proposed legislation exist.

Local Effect: None.

Small Business Effect: Minimal. Local bio-fuel producers would receive preferential treatment from in-State bio-fuel distributors if their prices and contract terms were equivalent to or better than out-of-state producers. Presumably, in-State distributors would purchase bio-fuel from in-State producers anyway if they offer better prices and contract terms.

Analysis

Current Law: There are no restrictions on the effects that proposed agency legislation can have on fuel consumption. Bio-fuel suppliers are not required to give preference to in-State bio-fuel producers.

Background: Bio-fuel includes fuel additives such as ethanol that are derived from grain or cellulose, as well as bio-diesel derived from vegetable oil or animal fat. Bio-diesel can be used in its pure form in specially-adapted engines or blended with regular diesel fuel and used in regular diesel engines (up to a 20% cap on bio-diesel volume).

State Fiscal Effect: The Department of Legislative Services (DLS) has no record of how many bills or regulations in recent years have affected crude oil consumption in the State, so the number of bills or regulations affected cannot be reliably estimated. The Maryland Department of Transportation and DLS both advise that implementation of this bill would be difficult to monitor. Neither Executive Branch agencies nor DLS has the capacity or the technical knowledge to determine when or by how much bills or regulations would change crude oil consumption in the State, or what the full range of alternatives would be. Therefore, it is difficult to determine the fiscal effect of the bill on State agencies, but it is likely that they would have to expend considerable resources attempting to determine the effects of their proposed legislation or regulations on crude oil consumption in the State.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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