

Department of Legislative Services
 Maryland General Assembly
 2007 Session

FISCAL AND POLICY NOTE
 Revised

House Bill 745

(Delegate Stein, *et al.*)

Health and Government Operations

Education, Health, and Environmental Affairs

State-Owned Heavy Equipment and Heating Equipment - Biodiesel Fuel Requirement

This bill requires that, beginning in fiscal 2009, at least half of the State’s heavy equipment and heating equipment that uses diesel fuel must use a blend of fuel that is at least 5% biodiesel, subject to its availability. Any equipment whose manufacturer’s warranty would be voided if the use of biodiesel fuel caused mechanical failure is exempt from this requirement.

Fiscal Summary

State Effect: Increased State expenditures (all funds) of \$117,600 in FY 2009 reflecting a five cent per-gallon price premium for 5% biodiesel blends for heating and heavy equipment. Out-year costs reflect inflation.

(in dollars)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Revenues	\$0	\$0	\$0	\$0	\$0
GF/SF/FF Exp.	-	117,600	118,800	120,000	121,200
Net Effect	\$0	(\$117,600)	(\$118,800)	(\$120,000)	(\$121,200)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Chapter 425 of 2006 requires that at least 50% of diesel-fueled vehicles in the State vehicle fleet use a blend of fuel that is at least 5% biodiesel fuel. It exempts vehicles whose manufacturer's warranties would be voided if the use of biodiesel fuel caused mechanical failure. Maryland's Renewable Fuels Promotion Act of 2005 (Chapter 332 of 2005) provides credits to in-state producers of biodiesel fuel.

Background: Currently there is only one in-state manufacturer producing approximately 200,000 gallons of biodiesel annually, although it has the capacity to produce 1 million gallons. Biodiesel fuel offers some advantages over regular petroleum-based diesel fuel (RDF). According to the U.S. Environmental Protection Agency, biodiesel fuel reduces carbon monoxide, sulfur dioxide, and other harmful emissions from diesel-powered engines, although it slightly increases nitrous oxide emissions. Because it is produced from renewable sources such as vegetable oils and animal fat, it is also biodegradable, nontoxic, and less flammable than RDF. Diesel fuel blends consisting of 5% biodiesel fuel (called B5) can be stored in existing diesel fuel storage tanks and used in existing diesel engines without modifications. Increased use of domestically produced renewable fuel can help reduce the nation's dependence on imported oil. However, biodiesel does have certain performance disadvantages. It burns slightly less efficiently than RDF, and it requires a special additive to keep it from congealing during the winter.

State Fiscal Effect: Industry estimates of the price differential between B5 and RDF range from 3 to 10 cents per gallon. In its analysis of State costs, the Department of General Services assumed a five cent difference (or approximately 2% of the price of RDF). Legislative Services concurs with this assumption. Based on current State purchases of heating fuel and diesel fuel for heavy equipment, State expenditures (all funds) would increase by \$117,620 in fiscal 2009 due to the price premium for B5 fuel. Future year costs reflect annual 1% increases in operating expenses.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of General Services, Board of Public Works, University System of Maryland, Maryland Department of Transportation, Department of Budget and Management, Department of Legislative Services

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Analysis by: Michael C. Rubenstein

Direct Inquiries to:
(410) 946-5510
(301) 970-5510