

Department of Legislative Services
 Maryland General Assembly
 2018 Session

FISCAL AND POLICY NOTE
 First Reader

Senate Bill 1234 (Senator Klausmeier)
 Education, Health, and Environmental Affairs

Procurement - State Vehicle Fleet - Zero-Emission Vehicles

This bill phases in a requirement that, by fiscal 2026, 50% of light-duty vehicles purchased for the State vehicle fleet be zero-emission vehicles. The requirement does not apply to vehicles that have special performance requirements necessary for the protection and welfare of the public. The bill also includes a reporting requirement for State agencies that purchase vehicles. **The bill takes effect July 1, 2018.**

Fiscal Summary

State Effect: General fund, Transportation Trust Fund, and other special fund expenditures increase by \$537,600 in FY 2019 to purchase zero-emission vehicles, which takes into consideration fuel savings. Out-year costs reflect cumulative fuel savings from a growing number of electric vehicles in the fleet, as well as a greater number of vehicles purchased according to the bill’s requirement. Agencies can fulfill the reporting requirements with existing resources. No effect on revenues.

(in dollars)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Revenues	\$0	\$0	\$0	\$0	\$0
GF/SF Exp.	537,600	473,600	1,216,000	1,056,000	896,000
Net Effect	(\$537,600)	(\$473,600)	(\$1,216,000)	(\$1,056,000)	(\$896,000)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The bill defines “light-duty vehicle” as having a gross weight of 8,500 pounds or less.

The State must purchase zero-emission vehicles according to the following timeline:

- beginning in fiscal 2019, 10% of light-duty vehicles purchased;
- beginning in fiscal 2021, 25% of light-duty vehicles purchased; and
- beginning in fiscal 2026, 50% of light-duty vehicles purchased.

Current Law: A “zero-emission vehicle” is defined as (1) any vehicle that the Secretary of Transportation determines to be of a type that does not produce any tailpipe or evaporative emissions and (2) has not been altered from the manufacturer’s original specifications. The Secretary must adopt regulations that specify which vehicles are zero emission, but the relevant regulations include no such specification.

The Department of General Services (DGS) purchases vehicles for the State based on standards developed by the Department of Budget and Management (DBM) and approved by the Board of Public Works. DBM administers the State vehicle fleet. The standards developed by DBM must, as far as practicable and feasible, be based on the lowest possible life-cycle cost of the vehicle.

Background: DGS procures and negotiates blanket purchase orders (BPOs) from which agencies can purchase cars for State use. The current BPOs include pricing for light-duty sedans and all-electric sedans. They also include pricing for light-duty pickup trucks, but there is no all-electric option for light-duty trucks.

State Fiscal Effect: This analysis assumes that “zero-emission vehicle” refers to an all-electric vehicle (and does not include hybrid vehicles, which have some tailpipe emissions). For fiscal 2018, the DGS BPO price for a light-duty sedan is \$16,067, and the price for an all-electric sedan is \$25,490, a price differential of \$9,423. This analysis assumes that this price differential remains relatively constant – at \$9,400 – in future years.

Based on annual driving distances of 12,000 miles at 30 miles per gallon and an average gasoline price of \$2.50 per gallon, the State spends approximately \$1,000 on gasoline for a regular light-duty sedan each year. This estimate does not account for any increased electric utility costs related to charging electric vehicles. Each year thereafter, the State saves about \$1,000 in fuel costs for each zero-emission vehicle in the fleet.

DBM advises that the State vehicle fleet consists of approximately 8,900 vehicles, including approximately 2,200 for the Maryland Department of Transportation. Of those, about 7,550 are non-law enforcement light-duty vehicles. DBM further advises that the State purchases about 750 new vehicles each year. Assuming 15% of those are law enforcement vehicles, the State purchases about 638 light-duty vehicles per year. **Exhibit 1** summarizes the State fiscal effect on all funds, based on annual purchases of 638 light-duty vehicles.

Exhibit 1
Net Fiscal Effect of Purchasing Zero-emission Vehicles

<u>Year</u>	<u>ZEVs Purchased</u>	<u>Price Differential</u>	<u>Cumulative Fuel Savings</u>	<u>Net Fiscal Effect</u>
FY 2019	64	\$601,600	\$64,000	\$537,600
FY 2020	64	\$601,600	\$128,000	\$473,600
FY 2021	160	\$1,504,000	\$288,000	\$1,216,000
FY 2022	160	\$1,504,000	\$448,000	\$1,056,000
FY 2023	160	\$1,504,000	\$608,000	\$896,000

ZEV: zero-emission vehicle

Source: Department of Budget and Management; Department of Legislative Services

Additional Comments: DBM advises that the driving range for electric vehicles is not comparable to that of gasoline or hybrid vehicles and, therefore, may affect or limit the ability of State employees who drive long distances to conduct their official business.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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Analysis by: Michael C. Rubenstein

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