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## FISCAL IMPACT REPORT

ORIGINAL DATE 02/08/09  
 SPONSOR Ortiz y Pino LAST UPDATED 03/02/09 HB \_\_\_\_\_  
 SHORT TITLE Corporate Fuel Economy Standard Vehicles SB 450/aSCORC  
 ANALYST Woods

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
	None		

(Parenthesis ( ) Indicate Expenditure Decreases)

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY09	FY10	FY11	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
<b>Total</b>		Unknown	Unknown		Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Response To Amendment Received From

Energy, Minerals and Natural Resources Department (EMNRD)

#### No Response to Amendment Received From

General Services Department (GSD) – *Comments Requested 2-26-09*

### SUMMARY

#### Synopsis of SCONC Amendment

Senate Corporations and Transportation Committee amendment to Senate Bill 450 (SB450/aSCORC ) allows any hybrid vehicle, not just gas-electric, and electric plug-in vehicles as well as those that meet federal Corporate Average Fuel Efficiency (CAFE) standards (27.5 miles per gallon or greater) to be used to fulfill the fuel economy requirements for publicly-owned vehicles. Currently, the Act requires that 75 percent of vehicles acquired by state government and educational institutions be capable of operating on alternative fuel. The original version of SB 450 added gas-electric hybrids and the CAFE standard to the types of vehicles that could be used to fulfill the requirement. SB450/aSCORC strikes gas-electric from the hybrid

vehicle addition, which broadens the definition of hybrid vehicles to include non-gasoline electric hybrids, and adds plug-in electric vehicles, which includes pure electric vehicles.<sup>1</sup>

## **PERFORMANCE IMPLICATIONS**

EMNRD notes that the SCORC amendment increases the options available to motor pools operated by the General Services Department (GSD), Department of Transportation (DOT), Energy, Minerals and Natural Resources Department (EMNRD), Department of Game and Fish (DGF) and Department of Public Safety (DPS), allowing the agencies to purchase all sorts of hybrid vehicles and plug-in electric vehicles in addition to alternatively fueled vehicles or vehicles that meet CAFE standard of 27.5 miles per gallon or better.

## **ADMINISTRATIVE IMPLICATIONS**

EMNRD adds that the department's Energy Conservation and Management Division would include in annual state and federal reporting on state vehicle purchases all possible hybrid configurations as well as vehicles meeting CAFE standards as a reporting category to the state reports. Further that including all possible hybrid vehicles and pure electric vehicle options as well as vehicles that meet or exceed CAFE standards may encourage state agencies to consider fuel-efficient vehicles that reduce emissions and fuel costs. While vehicles meeting these expanded definitions do not currently exist in the marketplace, this amendment will accommodate their anticipated future availability.

### Synopsis of Original Bill

This legislation seeks to amend Section 13-1B-3 NMSA 1978 to include the state's ability to purchase fuel efficient vehicles that meet or exceed the corporate average fuel economy (CAFÉ) standards for vehicles issued by the national highway transportation safety administration of the United States department of transportation. This bill does allow for an exemption from the purchase requirements when a vehicle that meets the CAFÉ standards is not suitable for its intended use or is not available from an original vehicle manufacturer.

There is no appropriation attached to this legislation.

## **FISCAL IMPLICATIONS**

GSD notes that alternatively fueled vehicles (AFVs) are approximately \$1,300 more expensive than their gasoline-only counterparts. They also get 10-15% fewer miles per gallon of gasoline. Since state government (including legislative and judicial branches) used more than 4M gallons of vehicle fuel and spent over \$20M on fuel in FY08, the fuel and dollar savings are significant. The current requirement to purchase alternatively fueled vehicles would cost the Transportation Services Division \$137,000 more for mid-size vehicles that operate on E85; \$688,500 more for vehicles that are powered by electric; and, \$689,200 for vehicles that operate on compressed natural gas.

HED adds that undetermined factors related to fiscal impact will need to consider fuel prices, technological feasibility and economic practicability. Fiscal implications are unknown as the number or type of vehicles to be acquired is not yet determined.

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<sup>1</sup> Excerpted from EMNRD 3-2-09 response to SCONC amendment.

## **SIGNIFICANT ISSUES**

GSD suggest that, by requiring the motor pools operated by GSD, DOT, EMNRD, DGF and DPS to purchase vehicles that meet or exceed federal Corporate Average Fuel Economy (CAFÉ) standards, the state fleet will become more efficient as older vehicles are replaced. The current requirement is to purchase vehicles capable of operating on alternative fuels. The (AFVs) that are currently available are generally less efficient than gasoline only vehicles. Because there is no infrastructure in place to dispense E85 fuel the vehicles that are being purchased are operating mainly on gasoline. Less than 1% of all fuel purchased by the state is E85 (85% ethanol) because there are only 4 fueling stations that dispense E85 in New Mexico.

EMNRD indicates that while most gas-electric hybrid vehicles meet or exceed CAFE standards few, if any, flexible-fuel vehicles (capable of operating on E85, 85% ethanol and 15% gasoline) meet the CAFE standards. This bill will ensure that future state fleet procurements are fuel-efficient gasoline or diesel, gas-electric hybrids, or alternative fuel vehicles (AFVs). Further, SB 450 supports EMNRD's strategic plan for efficient transportation. It also coincides with Lead by Example program initiatives of the Executive Branch, as directed by the Executive Order on Increasing Energy Efficiency (2007-053). A 20% reduction in fuel usage (compared to 2005 usage) is required by 2015.

## **PERFORMANCE IMPLICATIONS**

EMNRD advises that including CAFE standards compliance as an option to meet the 75% state vehicle purchasing requirement would increase the overall fuel efficiency of state fleets, which would reduce fuel usage, fuel costs, and greenhouse gas emissions. State fleets throughout New Mexico include a variety of vehicle types, from small passenger cars to heavy trucks. The CAFE standard for passenger cars and light duty trucks is 27.5 miles per gallon. Other standards apply for heavier vehicles. There are few effective choices, at this time, for state vehicles purchases that use alternative fuel. This makes it difficult for state agencies, schools, and higher education institutions to purchase AFVs, even though current state law requires 75% of purchases to be AFVs.

GSD states: "Transportation Services Division would need to modify its goals on reduction of greenhouse emissions which is currently at 10%. The performance measure of the "Percent of cars and light duty vehicles purchased by state agencies that exceed existing federal fuel efficiency standards for passenger vehicles" will also need to be adjusted."

## **ADMINISTRATIVE IMPLICATIONS**

GSD states: "EMNRD reports AFV purchases to the Department of Energy as a requirement of EPACT. Some Federal Sanctions are possible if a 75% target is not met but EMNRD has banked at least a few years of credit and the future status of the federal program is not known."

EMNRD states: "The EMNRD Energy Conservation and Management Division would be able to continue conducting annual state and federal reporting on state vehicle purchases, with the criterion of CAFE added as a reporting category to the state reports."

HED adds that tracking of the number of vehicles that meet the requirements including the corporate average fuel economy rating for each vehicle will be needed to complete the annual

report. Further, that the department would be involved in review of compliance with procurement guidelines.

### **OTHER SUBSTANTIVE ISSUES**

GSD notes that, by tying the requirement of the act to the CAFE standards, the target will be lowered as the federal government takes action to tighten the standards. This bill would support and not conflict with clean car initiatives.

EMNRD advises that including the CAFE requirement may encourage state agencies to consider fuel-efficient vehicles that can assist with their missions as well as reduce fuel costs. A new exemption would be added by SB 450: vehicles meeting CAFE standards that are not suitable for their intended use. Existing exemptions in the law remain unchanged: 1) certified law enforcement pursuit vehicles and emergency vehicles and 2) AFV types where fuel costs are not within 15% of conventional fuel costs. These are reasonable exemptions that would enable state employees to have the appropriate vehicle for accomplishing their tasks.

HED concludes that, “There are various impacts to be considered such as national fuel consumption, environmental and safety concerns.”

### **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

EMNRD states: “The state will continue purchasing alternative fuel and conventional vehicles that are not fuel-efficient in comparison to CAFE standards.”

GSD indicates that vehicle choice by fleet managers will be fewer and the state will not be able to buy the most efficient fleet available and comply with 13-1B-3 NMSA 1978. Operational costs will continue to remain higher due to less fuel economy realized by the state’s fleet.

HED states: “The Act will revert to language that allows vehicles capable of operating on alternative fuel or are gas electric hybrid. Vehicle acquisitions by state agencies, departments and educational institutions will not be required to meet corporate average fuel economy standards or report the fuel economy rating of each vehicle.”

### **AMENDMENTS**

GSD suggests that it may be desirable to add “plug-in electric” vehicles to the list of approved vehicles. While not currently commercially available, vehicle manufacturers are developing these vehicles and they likely will be available in the future.

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