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FISCAL IMPACT REPORT

ORIGINAL DATE 01/26/10

SPONSOR Sharer LAST UPDATED _____ HB _____

SHORT TITLE Require New State Vehicles To Use Natural Gas SB 83

ANALYST Archuleta

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY11	FY12	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total	\$750.0	\$750.0	\$1,500.0	Recurring	State Transportation Pool Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

General Services Department (GSD)
Higher Education Department (HED)

No Responses Received From

Department of Finance and Administration (DFA)
Department of Transportation (DOT)
Public Education Department (PED)

SUMMARY

Synopsis of Bill

Senate Bill 83 amends Section 13-1B-3 NMSA 1978 reducing the percentage of vehicles that meet or exceed the corporate average fuel economy (CAFÉ) standards for vehicles issued by the national highway transportation safety administration; are hybrid vehicles; are capable of operating on alternative fuel with either bi-fuel capability or dedicated engine configurations; or are plug-in electric vehicles from 75 percent to 50 percent. Senate Bill 83 also requires 30 percent of new vehicles acquired by state agencies and educational institutions to be equipped to operate on compressed natural gas (CNG) beginning in FY11.

FISCAL IMPLICATIONS

According to GSD, using FY08 data it was determined that alternatively fueled vehicles (AFVs) were approximately \$1,300 more expensive than their gasoline-only counterparts. They also get 10-15 percent fewer miles per gallon of gasoline. Since state government (including legislative and judicial branches) used more than 4 million gallons of fuel and spent over \$20 million on

fuel in FY08, the fuel and dollar savings are significant. It was determined during FY 08 that it would have cost the Transportation Services Division \$688,500 more for vehicles that are powered by electric; and, \$689,200 for vehicles that operate on compressed natural gas.

In FY09 the Transportation Services Division purchased 15 Ford Focus at \$12,941 each and 25 Ford Fusions at \$16,945, and 37 Chevrolet Malibus at \$16,799 per vehicle. Total amount spent on these vehicles that met or exceeded CAFÉ standards was \$1,239,303. In comparison if we would have purchased the Honda Civic CNG dedicated vehicle at the purchase price of \$25,760 the total amount spent on 77 units would have been \$1,983,520. This would have resulted in the Transportation Services Division spending an additional \$744,217 to purchase these CNG dedicated vehicles that have a shorter mileage range.

SIGNIFICANT ISSUES

GSD notes that the State of New Mexico does not have an extensive compressed natural gas distribution system throughout the state. Due to the lack of alternative fuel distribution sites, section 13-1B-3 NMSA 1978 “Acquisition of Vehicles – Exemptions” was amended during the 48th legislative session – first session to incorporate agencies abilities to purchase more efficient vehicles (must meet or exceed CAFÉ standards) at a reduced cost.

HED further notes that according to the U.S. Department of Energy (DOE), Alternative Fuel Data Center website, there are currently 10 CNG filling stations in the state of New Mexico. Three stations are available for public access, of which one is located in Santa Fe, one is located on the University of New Mexico campus, and the other station is located at the Albuquerque International Sunport. Two stations are located on Kirtland Air Force Base, two additional stations have been planned and are not yet available for use, and the other stations are owned by city governments. The DOE also reports that there is only one vehicle currently in production capable of using CNG as a fuel source and has limited availability.

According to sources at New Mexico State University (NMSU), they currently have approximately 1,200 vehicles in their fleet, of which about 10 are replaced every year. This bill would require three to be fueled by CNG. According to the same NMSU source, replaced vehicles are typically older and have higher mileage than the state standard. Currently there is one CNG station in Las Cruces, and it is owned by the City. Sources at UNM estimate their fleet size to be approximately 700 vehicles. According to sources at UNM they do attempt to replace fleet buses approximately every 10 years.

PERFORMANCE IMPLICATIONS

GSD must ensure that revenues cover all associated expenditures. Acquisition of a higher priced vehicle that has a reduced mileage range creates a hardship in assuring that customer expectations are met.

GSD currently identifies a vehicle lifecycle to be approximately five years or 100,000 miles. According to GSD’s FY09 4th quarter performance report, 12 percent of state owned vehicles are older than five years and have more than 100,000 miles.

ADMINISTRATIVE IMPLICATIONS

Any CNG dedicated vehicle purchased must be assigned to an area that has a CNG fueling site. It will require users to be more aware of vehicle mileage requirements.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

GSD will continue to make sure that vehicles purchased for fleet operations are economically sound and efficient while at the same time meet our customers expectations.

DA/svb