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FISCAL IMPACT REPORT

SPONSOR Gallegos, DM/Padilla **ORIGINAL DATE** 1/25/16
LAST UPDATED _____ **HB** 176
SHORT TITLE Natural Gas Vehicle Definition **SB** _____
ANALYST Mulligan

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY16	FY17		
	N/A		

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:

- Relates to HJM 5, Increase Natural Gas Vehicle Usage, also sponsored by Rep. Gallegos

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

Energy, Minerals and Natural Resources Department (EMNRD)

SUMMARY

HB 176 would amend the Motor Vehicle Code to increase the allowable weight limit for vehicles powered by natural gas. The bill would define such vehicles as those operated by engines that primarily use natural gas and would require the Department of Public Safety's Motor Transportation Division (MTD) to issue rules to provide exemptions for natural gas vehicles from the statutory limitations on the amount of gross weight allowable for wheels, axles, vehicles, and loads.

FISCAL IMPLICATIONS

The fiscal implications of the bill appear to be limited to the potential economic impacts that could result from increased consumption of natural gas and decreased consumption of diesel fuel. The bill appears to have no significant fiscal impact on state agency budgets.

It is expected that MTD will be required to train its officers and update its policies and procedures to reflect the new requirements if HB 176 is enacted. These activities are viewed as routine and part of the normal course of government business and should not require additional financial resources. (At the time of this analysis, DPS had not provided an analysis of the bill.)

Both TRD and EMNRD report that the bill would have no fiscal impact to their agencies.

SIGNIFICANT ISSUES

EMNRD reports that a natural gas vehicle's gas tank and fuel system have a greater weight than a regular gasoline or diesel vehicle's gas tank and fuel system and that, due to highway weight limitations, this weight difference has caused an obstacle to the greater use of natural gas vehicles. The federal government passed the Fixing America's Surface Transportation Act (FAST Act) in December of 2015 that creates a weight allowance for natural gas vehicles on federal highways. HB 176 would update New Mexico law to allow a greater weight of natural gas vehicles like the federal law and the laws of some other states.

Colorado, Illinois, Indiana, Ohio and Virginia are states that have enacted weight limit exemptions for alternative fuel vehicles (AFVs).

According to Natural Gas Vehicles for America (NGVA), a national trade association promoting a growing and sustainable market for NGV, and *Next-Gen Transportation News*, a trade industry publication, provisions contained in the FAST Act include a weight exemption that allows heavy-duty natural gas vehicles to exceed the federal weight limits up to 82,000 pounds to compensate for the additional weight of natural gas fuel systems and tanks. The organization says this provision will level the playing field for natural gas trucks that are currently not able to haul the same amount of freight as diesel-powered trucks as a result of state weight restrictions.

According to the U.S. Department of Transportation, natural gas engines produce 20 percent less greenhouse gas emissions than diesel engines. However, some debate exists on the overall environmental benefit of using natural gas to power motor carrier fleets due to the harmful environmental effects from leakage of methane into the atmosphere that occurs during the extraction, processing, transportation, storage, and fueling processes.

Overall, however, it appears that agreement exists that the use of natural gas powered vehicles provides benefits over diesel-burning commercial vehicles, through reduced emissions, reduced noise, adequate or excessive local supply of natural gas, increased economic activity regarding natural gas, increased revenue to the state when production is increased, federal financial incentives for natural gas use, and cost savings due to lower prices at times.

TECHNICAL ISSUES

The bill's requirement that a commercial vehicle "primarily" use natural gas as its fuel source in order to benefit from the weight exemptions may exclude some commercial vehicles that use both diesel fuel and natural gas depending upon load and road characteristics; dual-fuel natural gas and diesel engines may not qualify for the exemptions.

MM/jo