

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2009

Legislative Fiscal Note

BILL NUMBER: House Bill 1079 (Third Edition)

SHORT TITLE: Energy-Efficient State Motor Vehicle Fleet.

SPONSOR(S): Representatives Martin, Harrison, Samuelson, and Tillis

FISCAL IMPACT

	Yes ()	No ()	No Estimate Available (X)		
	<u>FY 2009-10</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>
REVENUES	-	-	-	-	-
EXPENDITURES	Indeterminate fiscal impact – See Assumptions & Methodology				
Department of Administration					
POSITIONS (cumulative):	-				
PRINCIPAL DEPARTMENT(S) & PROGRAMS AFFECT:	Department of Administration – Division of Motor Fleet Management				
EFFECTIVE DATE:	This bill is effective December 1, 2010.				

BILL SUMMARY:

House Bill 1079 amends GS 143-341(8) to add a sub-sub-subdivision defining fuel economy and the class of comparable automobiles to have the same meaning as in Part 600 of Title 40 of the Code of Federal Regulations. The bill further defines “passenger motor vehicle” as having the same meaning as private passenger vehicle as defined in GS 20-4.01. HB 1079 requires that every request for proposals for new passenger motor vehicles to be purchased by the Department of Administration shall state a preference for vehicles that have a fuel economy that is in the top 15% of its class of comparable automobiles. Law enforcement, emergency medical response, and firefighting vehicles are exempt from this requirement. This bill directs the Department to report, prior to October 1 of each year, the number of new passenger motor vehicles that are purchased or transferred, the savings and costs for the transfer or purchase of vehicles to comply with the proposed sub-sub-subdivision, and the quantity and cost of fuel saved for the previous fiscal year to the Joint Legislative Commission on Governmental Operations and the Environmental Review Commission. The first report shall be due on or before October 1, 2010. This bill shall be effective December 1, 2010, and applies to contracts to purchase passenger motor vehicles or transfer passenger motor vehicles from other state agencies entered into on or after that date.

Source: Bill Digest H.B. 1079 (04/02/0200).

ASSUMPTIONS AND METHODOLOGY:

HB 1079 instructs the Division of Motor Fleet Management to give *preference* to energy-efficient vehicle models when purchasing vehicles. Currently, Motor Fleet Management’s process for vehicle purchases already incorporates the analysis of emissions and alternative fuel vehicles (a.k.a. E-85) into its life-cycle calculations, and as a result has already obtained some alternative fuel/low-emission vehicles as part of the State fleet. The ‘preference’ language in this bill seems to allow the continued use of those factors in life-cycle/cost analysis.

The fiscal impact of purchasing more energy-efficient vehicles is determined by the operating costs and the purchase costs. The Department of Administration (DOA) is unable to calculate what further fiscal impact House Bill 1079 may have at this time, due to a number of unknowns such as pricing, fuel consumption, and vehicle life cycles. However, the following paragraphs contain a general discussion of the impact on operating costs and purchase costs.

For the Fiscal Year 2007-08, Motor Fleet Management fleet consisted of a total of 9,047 vehicles, of which 133 (or 1.5%) are hybrid/energy-efficient vehicles. The average non-hybrid State fleet vehicle, excluding cargo and law enforcement vehicles, costs the Division of Motor Fleet Management a total of \$0.48 per mile annually; this cost includes depreciation, fuel, maintenance, and fixed costs. The average hybrid or flex fuel State vehicle (again, excluding cargo and law enforcement vehicles) costs \$0.32 per mile annually, a difference of \$0.16 less than regular vehicles. During FY 2007-08, the energy-efficient vehicles were driven a total of 1,979,354 miles, representing 1.6% of the total 126,793,922 miles driven by all vehicles in the fleet. There is a potential savings in operating costs of \$160 (\$0.16 * 1000) for every 1,000 miles driven in an energy-efficient vehicle, as opposed to a regular vehicle.

As noted earlier, Motor Fleet Management’s process for vehicle purchases already incorporates the analysis of emissions and alternative fuel vehicles (a.k.a. E-85) into its life-cycle calculations. Their experience has shown that vehicles with high ratings of energy efficiency are generally priced higher than vehicles without that technology. Thus, Motor Fleet’s purchase cost is likely to increase as it purchases more of the vehicles with the higher energy efficiency. Motor Fleet Management has not provided an analysis of the difference in cost for the vehicles with the higher ratings of energy efficiency, but estimates that energy efficient vehicles are approximately one-third more expensive than regular vehicles. Further, DOA does not believe it can predict how many State agencies will opt to purchase fuel-efficient vehicles rather than standard vehicles, as the bill states a *preference* for those types of vehicles rather than a *requirement*.

SOURCES OF DATA: Department of Administration

TECHNICAL CONSIDERATIONS: None

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