

GENERAL ASSEMBLY OF NORTH CAROLINA



Session 2007

Legislative Fiscal Note

REVISED

BILL NUMBER: House Bill 2720 (First Edition)

SHORT TITLE: Energy-Efficient State Motor Vehicle Fleets.

SPONSOR(S): Representatives Thomas, Harrison, and Martin

| | FISCAL IMPACT | | | | |
|--|-------------------|-------------------|---------------------------|-------------------|-------------------|
| | Yes (x) | No () | No Estimate Available () | | |
| | <u>FY 2008-09</u> | <u>FY 2009-10</u> | <u>FY 2010-11</u> | <u>FY 2011-12</u> | <u>FY 2012-13</u> |
| EXPENDITURES: | | | | | |
| Motor Fleet Management | \$5,577,609 | \$5,243,583 | \$4,909,557 | \$4,575,531 | \$4,241,505 |
| POSITIONS (cumulative): | 0 | 0 | 0 | 0 | 0 |
| PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Administration-Division of Motor Fleet Management, Department of Transportation. | | | | | |
| EFFECTIVE DATE: July 1, 2008 | | | | | |

BILL SUMMARY: HB 2720 amends G.S. 143-341(8) and enacts a new G.S. 136-28.16, which requires every new vehicle transferred to or purchased by the Departments of Administration or Transportation to have a fuel economy rating for the new vehicle's model year that is in the top 10% of its class. HB 2720 allows an exemption for emergency vehicles. The bill applies to contracts entered into on or after July 1, 2008.

ASSUMPTIONS AND METHODOLOGY:

Section 1:

Section 1 of HB 2720 requires all new non-emergency vehicles purchased by the State Motor Fleet Management Division, located in the Department of Administration, to be within the top 10% of its vehicle class (i.e. large cars, midsize cars, etc.) fuel economy ratings as determined by the Environmental Protection Agency (EPA).

Emergency Vehicles

In FY 2006-07, the State purchased 111 emergency vehicles. HB 2720 exempts emergency vehicles from the requirements of this bill.

Non-Emergency Vehicles

The State purchased 1,053 non-emergency vehicles in FY 2006-07, including 11 different models, which totaled \$17.6 million.¹ The State purchased a total of 17 vehicles from 2 vehicle models with EPA fuel economy ratings in the top 10% in their classes for 2008 (Ford Escape Hybrid and Toyota Prius), which totaled \$415,301.

Therefore, the State purchased 1,036 vehicles that were not in the top 10% of their class’s fuel economy ratings at a cost of approximately \$17.22 million in FY 2006-07. Many of these vehicles purchased use alternative fuels (such as E-85), but these do not meet the standards of this bill (See Technical Considerations).

Figure 1 replaces the type of vehicle currently purchased with a similar vehicle model that meets the proposed EPA requirement. Based on Figure 1, the fiscal impact of HB 2720 is approximately \$5.91 million.

| Figure 1: Cost of Purchasing Similar Vehicles within the Top 10% of their Classes | | | | | |
|--|---------------------------|-------------------|--------------------------------------|-------------------|------------------------------|
| FY 2006-07 Purchased Vehicles | | | Proposed Purchase of Vehicles | | Difference |
| Current Model | Quantity Purchased | Total Cost | Proposed Model | Total Cost | Total Cost Difference |
| Chevrolet Malibu | 500 | \$7,389,735 | Toyota Prius | \$11,292,920 | \$3,903,185 |
| Dodge Caravan E-85 | 200 | 3,092,060 | Mazda 5 | 3,729,000 | 636,940 |
| Ford Crown Vic Exec. E-85 | 60 | 1,177,475 | Chevrolet Impala | 1,344,000 | 166,525 |
| Ford Escape Hybrid | 9 | 234,614 | Ford Escape Hybrid | 234,614 | 0 |
| Toyota Prius | 8 | 180,687 | Toyota Prius | 180,687 | 0 |
| Dodge Charger | 16 | 336,934 | Chevrolet Impala | 358,400 | 21,466 |
| Chevrolet Suburban E-85 | 3 | 99,143 | Ford Escape Hybrid | 78,205 | (20,938) |
| Chevrolet Impala E-85 | 100 | 1,581,565 | Chevrolet Impala | 2,240,000 | 658,435 |
| Dodge Durango E-85 | 35 | 769,487 | Ford Escape Hybrid | 912,389 | 142,902 |
| Jeep E-85 | 100 | 2,299,990 | Ford Escape Hybrid | 2,606,827 | 306,837 |
| Chevrolet Trailblazer | 22 | 477,220 | Ford Escape Hybrid | 573,502 | 96,282 |
| GRAND TOTAL VEHICLE PURCHASES OF HB 2720 | | | | | \$ 5,911,635 |

It is not possible to predict with certainty the prices of vehicles in future fiscal years. As a result, the fiscal impact may fluctuate with market conditions.

Fiscal Impact in FY 2008-09

¹ 13 vehicles purchased by the State in FY 2006-07 without EPA ratings were excluded from this analysis. This is because fuel economy regulations currently do not apply to vehicles with a Gross Vehicle Weight Rating (vehicle weight plus carrying capacity) of more than 8,500 pounds.

Given the costs associated with maintaining State vehicles and the number and quantity of vehicles expected to be purchased in FY 2008-09, it is estimated the fiscal impact of Section 1 is approximately \$5.58 million in FY 2008-09 as shown in Figure 2.

| Figure 2: Total Costs of HB 2720 in FY 2008-09 | | | |
|---|---------------------|----------------------|---------------------------|
| <u>Expense</u> | <u>Current Cost</u> | <u>Proposed Cost</u> | <u>Difference in Cost</u> |
| Vehicle Purchases | \$17,638,910 | \$23,550,544 | \$5,911,635 |
| Maintenance/Fuel Costs | 5,117,490 | 4,783,464 | (334,026) |
| TOTAL FISCAL IMPACT OF HB 2720 in FY 2008-09 | | | \$5,577,609 |

Total Fiscal Impact for Future Years Resulting from Fuel Cost Savings

The Division of Motor Fleet Management will increase its rate per mile charged to State entities using motor fleet vehicles beginning July 1, 2008. This rate includes any fuel or maintenance charges associated with motor fleet vehicles. With this rate increase, it is expected the Division will spend approximately \$5.12 million on fuel and maintenance costs in FY 2008-09. With HB 2720, it is estimated the Division will spend approximately \$4.78 million on these costs. It is estimated HB 2720 saves the Division \$334,026 in fuel and maintenance costs in FY 2008-09. As shown in Figure 3, assuming the fuel and maintenance costs remain at the FY 2008-09 level, the \$334,026 savings compounds each fiscal year.

| Figure 3: Estimated Maintenance and Fuel Savings | | | | | |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| <u>Expense</u> | <u>FY 2008-09</u> | <u>FY 2009-10</u> | <u>FY 2010-11</u> | <u>FY 2011-12</u> | <u>FY 2012-13</u> |
| Maintenance/Fuel Savings | (\$334,026) | (\$668,052) | (\$1,002,078) | (\$1,336,104) | (\$1,670,130) |

Section 2:

Section 2 of HB 2720 requires the NC Department of Transportation to purchase every new passenger vehicle in accordance with fuel economy ratings in the top 10% of its class as determined by the US Environmental Protection Agency. The Department of Motor Vehicles handles all of its passenger vehicle needs through the Department of Administration’s motor fleet. Therefore, HB 2720 will have no fiscal impact to the Department of Transportation.

SOURCES OF DATA: NC Department of Transportation, Department of Administration-Motor Fleet Management Division, General Motors Corp., Mazda Motor Corp., American Honda Motor Corp., U.S. Department of Energy-Office of Energy Efficiency and Renewable Energy, U.S. Department of Energy-Clean Cities Program, U.S. Environmental Protection Agency

TECHNICAL CONSIDERATIONS:

1. Currently, all vehicles purchased by State agencies should be capable of using B-20 fuel when possible. Excluding emergency vehicles, the State owns a total of 506 alternative fuel vehicles. These alternative fuel vehicles do not meet the EPA fuel economy ratings required by this bill. Therefore, G.S. 143-341 (8), which requires alternative fuel vehicles, and this bill, conflict.

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