

Department of Planning and Budget 2010 Fiscal Impact Statement

1. **Bill Number:** SB272

House of Origin ☐ Introduced ☐ Substitute ☒ Engrossed

Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. **Patron:** Whipple

3. **Committee:** General Laws and Technology

4. **Title:** Biodiesel and green diesel; minimum content in state contracts for vehicle fuel.

5. **Summary/Purpose:** Requires state public bodies to procure only diesel fuel containing, a minimum of two percent, by volume, biodiesel fuel or green diesel fuel. The requirement will only apply to procurements of diesel fuel for use in on-road internal combustion engines and shall not apply if (i) such fuel is not practically available or (ii) the cost of such procurement exceeds the cost of unblended diesel fuel by five percent or more. Based on a finding of sufficient availability of biodiesel or green diesel, the Governor may increase the requirement of biodiesel fuel or green diesel fuel up to 20 percent by volume.

6. **Fiscal impact estimates are preliminary.** Proportion of general fund and nongeneral fund impact is indeterminate. Agency by agency surveys would determine from which fund(s) fuel is purchased.

6a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2011	\$1,136,000	General/Nongeneral
2012	\$616,000	General/Nongeneral
2013	\$616,000	General/Nongeneral
2014	\$616,000	General/Nongeneral
2015	\$616,000	General/Nongeneral
2016	\$616,000	General/Nongeneral

7. **Budget amendment necessary:** Yes, the revised legislation prevents the provisions from becoming effective unless general dollars are provided.

8. **Fiscal implications:** Annual fiscal impact estimates to the Department of General Services are based on a purchase of 7.7 million gallons of diesel fuel in FY 2009. The diesel fuel was purchased at the contract rate of \$2.16 per gallon. Higher-grade two percent biodiesel fuel (B2), required in this legislation, was quoted to have cost an additional \$1.03 per gallon at the time of the FY 2009 purchase. This is an approximate fort-six percent increase in cost for a gallon of fuel. However, the bill states if the cost of (B2) is five percent or more than the unblended fuel, the subdivision requirements will not apply.

The amounts in 6a. assume (B2) can cost up to four percent more than the present cost. The cost of 7.7 million gallons of B2 at four percent higher than the current unblended rate would have cost the Commonwealth an estimated \$616,000 more in FY 2009.

Methodology:

Unblended Fuel =	\$2.16 per gallon
Four percent B2 blended fuel =	\$2.24 per gallon
Difference =	\$.08 per gallon
Total Gallons in FY09	7.7 million gallons
Estimated increase in costs =	\$616,000

Fiscal impact to the general fund is estimated to be 25% of increased costs (with 75% impact to nongeneral fund sources) based on FY 2009 statewide fuel expenditure data.

Fuel can be purchased outside of the statewide contract, for which fuel is accounted for in this fiscal impact. This would likely represent a marginal amount, as most fuel purchased by agencies is administered under the annual statewide contract.

The Virginia Department of Transportation (VDOT) would incur a one-time cost to clean all fuel tanks before introduction of biodiesel.
260 fuel tanks * \$2,000 each to clean = \$520,000 in FY 2011

9. Specific agency or political subdivisions affected: Department of General Services, Virginia Department of Transportation, all state agencies using on-road diesel fuel

10. Technical amendment necessary: No

11. Other comments: A federal \$1 a gallon blender's tax credit for biodiesel production expired 12/31/2009. If it were to be re-instated, it would reduce the cost differential between regular diesel and B2 diesel by \$1.00; resulting in a cost differential of approximately \$.03 per gallon. No information is available at this time to determine if tax credit will be reinstated.

Date: 2/17/2010

cc: Secretary of Administration