



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #104

State Fuel Use (DOA -- General Agency Provisions)

[LFB 2011-13 Budget Summary: Page 26, #20]

CURRENT LAW

The Department of Administration (DOA) must, when feasible, require agencies to store only gasohol or alternative fuel at state facilities that have refueling equipment for state-owned or state-leased vehicles.

The Department must require state employees to utilize hybrid-electric vehicles or vehicles that operate on gasohol or alternative fuels when using state-owned or state-leased vehicles whenever such utilization is feasible.

The Department must require agencies to collectively reduce the use of petroleum based gas and diesel in state-owned vehicles, when compared to 2006 levels, by the following amounts: (a) 20% by 2010 for gasoline; (b) 50% by 2015 for gasoline; (c) 10% by 2010 for diesel; and (d) 25% by 2015 for diesel.

The Department must encourage the distribution of gasohol and alternative fuels and usage of hybrid-electric vehicles or vehicles that operate on gasohol or alternative fuels by individuals that use vehicles on state business and by residents of the state in general.

The Department must report to the appropriate standing committees concerning the distribution of gasohol and alternative fuels and usage of hybrid electric, gasohol, and alternative fuel vehicles by April 30 of each year.

The Office of Energy Independence must adopt, and revise when necessary, a plan to facilitate the states use of alternative fuels in the flex fuel vehicles owned by the state.

GOVERNOR

Specify that state alternative fuel use requirements would instead be policies. Specify that DOA encourage, rather than require the storage of gasohol or alternative fuel and only if it was cost effective.

Under the bill, DOA would be required to encourage the use of hybrid-electric vehicles or vehicles that operate on gasohol or alternative fuels, when cost-effective.

Require DOA to encourage, when cost effective the following petroleum based fuel reductions, compared to 2006 levels: (a) 20% by 2015 for gasoline; and (b) 10% by 2015 for diesel. Higher reduction targets are eliminated under the bill.

Specify that "whenever feasible and cost-effective," DOA must encourage the distribution of gasohol and alternative fuels and usage of hybrid-electric vehicles or vehicles that operate on gasohol or alternative fuels by individuals that use vehicles on state business and by residents of the state in general.

Delete a requirement that DOA report to the appropriate standing committees concerning the distribution of gasohol and alternative fuels and usage of hybrid electric, gasohol, and alternative fuel vehicles by April 30 of each year.

Delete the requirement that the Office of Energy Independence adopt, and revise when necessary, a plan to facilitate the states use of alternative fuels in the flex fuel vehicles owned by the state.

DISCUSSION POINTS

1. Under 1993 Act 351, the Legislature initially established certain criteria for the storage and use of gasohol and alternative fuels. Under Act 351, alternative fuels were defined as one of the following: (a) biodiesel; (b) methanol; (c) ethanol; (d) natural gas; (e) propane; (f) hydrogen; (g) coal-derived liquid; (h) electricity; (i) solar energy; (j) fuel derived from biological material; and (k) other than gasohol, other fuels that the Department of Natural Resources finds to be composed substantially of material other than petroleum, the use of which would yield substantial environmental benefits.

2. Under Act 351, DOA was required to, whenever feasible, do the following: (a) require agencies to store only gasohol and alternative fuels at facilities maintained by state agencies; (b) in the most economical means feasible place copies of the available gasohol or alternative fuel refueling locations; (c) require state employees to use gasohol or alternative fuels for the operation of state vehicles whenever feasible; and (d) encourage distribution of gasohol and alternative fuels and usage of gasohol and alternative fuels by state employees who use personal vehicles on state business and by residents of the state in general.

3. Under 2003 Act 311, the Legislature added hybrid electric vehicles, to the list of vehicles that employees would be required to use, when feasible.

4. Under 2007 Executive Order #192, the Governor created an Office of Energy Independence (OEI). As a nonstatutory committee, it would have been dissolved upon the completion of the Governor's term in office.

5. Under 2007 Act 20, the Legislature formally created OEI within DOA by statute. The Office was assigned various work initiatives relating to assisting in the generation of various renewable resource fuels.

6. Under 2009 Act 401, the Legislature further modified these provisions to specify the following:

- The Department must require agencies to collectively reduce the use of petroleum based gas and diesel in state-owned vehicles, when compared to 2006 levels, by the following amounts: (a) 20% by 2010 for gasoline; (b) 50% by 2015 for gasoline; (c) 10% by 2010 for diesel; and (d) 25% by 2015 for diesel.

- The Office of Energy Independence must adopt, revise as necessary, and implement a plan designed to facilitate usage of alternative fuels in the flex fuel vehicles and other vehicles owned by the state. The plan shall ensure all of the following: (a) that all flex fuel vehicles and other vehicles powered by an alternative fuel other than gasohol that are owned by the state are identifiable; (b) that all state employees driving flex fuel vehicles and other vehicles powered by an alternative fuel other than gasohol are made aware of the alternative fuel refueling stations in the vicinity of their route of travel; (c) that all state employees strive to use alternative fuels when operating state flex fuel and diesel-powered vehicles.

7. The following table shows the state's gasoline and biodiesel use from 2006 through 2010.

Gallons of Fuel Used for State Fleet

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Gasoline					
Unleaded (No Biofuel)	3,646,263	3,288,751	2,918,990	1,366,889	179,609
E-10	1,617,298	2,214,511	2,180,693	3,126,438	4,585,033
Petroleum Portion	1,455,568	1,993,060	1,962,624	2,813,794	4,126,530
E-85	18,018	29,442	56,378	56,780	72,780
Petroleum Portion	2,703	4,416	8,457	8,517	10,917
Total Gallons Used	5,281,579	5,532,704	5,156,061	4,550,107	4,837,422
Petroleum Based Gallons	5,104,534	5,286,227	4,890,070	4,189,200	4,317,056
Gallons Change to 2006 for					
Petroleum Based Fuel		181,693	-214,464	-915,334	-787,478
Change in Petroleum Based Use		3.6%	-4.2%	-17.9%	-15.4%
Diesel					
Nonbiofuel Diesel	939,148	1,007,468	1,044,794	1,021,203	1,065,305
Biodiesel B-5	0	4,970	15,721	9,500	9,500
Petroleum Portion	0	4,722	14,935	9,025	9,025
Biodiesel B-20	6,404	60,331	50,003	56,000	56,000
Petroleum Portion	5,123	48,265	40,002	44,800	44,800
Total Gallons Used	945,552	1,072,769	1,110,518	1,086,703	1,130,805
Petroleum Based Gallons	944,271	1,060,454	1,099,731	1,075,028	1,119,130
Gallons Change to 2006 for					
Petroleum Based Fuel		116,183	155,460	130,757	174,859
Change in Petroleum Based Use		12.3%	16.5%	13.8%	18.5%

8. The current statutes specify that DOA must require the reduction of fuel that is "petroleum based." The Department argues that reductions in pure unleaded gasoline (100% petroleum based) have been reduced by 95.1%, and therefore, the statutory requirements have been met for gasoline. The Department, however, indicates that use of pure diesel (100% petroleum based) has increased by 13.4% since 2006.

9. A more comprehensive understanding of "petroleum based" fuel use reduction requirements would require the total amount of petroleum based fuel use to decline by the percentages set in statute. This would mean that for E-10, that 90% of the fuel should be counted as petroleum based and that for E-85, 15% of the fuel should be counted as petroleum based.

10. Using this definition, the state fleet's use of petroleum based gasoline would have been reduced by 15.4% in 2010 compared to 2006 levels. For diesel, the net increase in petroleum based diesel is 18.5% in 2010 compared to 2006 levels.

11. Under the bill, OEI would be deleted and several modifications would be made to the standards for alternative fuel use by state agencies as described above.

12. The State Budget Office indicates that "the elimination of specific fuel use policies under the bill is in recognition of the current market conditions where access to alternative fuels is limited. As the proposed bill language notes, the Department will continue to encourage the use of alternative fuels when feasible and cost effective."

13. Under current law, DOA must purchase supplies and services in the most cost-effective manner, unless otherwise specified. The current fuel use policies could be considered an exception to the procurement standards because of perceived benefits that are not fully fiscal in terms of state operations.

14. It could be argued that the state's use of alternative fuels and alternative fuel vehicles was created for various reasons including: (a) expectation that providing a market for alternative fuels and alternative fuel vehicles would encourage production of those commodities and reduce the costs for such products on a statewide basis; (b) that creation of an alternative fuel market would provide another market for Wisconsin biofuel and ethanol-producing crops; and (c) concerns about the impact of petroleum based products on the environment.

15. It could be further argued that changing the current fuel use requirements to instead be state policies and specifying that these policies would only be in effect when "cost-effective" would essentially eliminate any specific directives for alternative fuel and alternative fuel vehicle use for the state government. Thus, fuel use purchasing policies would essentially become redundant to other procurement policies.

16. If the Committee believes that DOA should continue to emphasize alternative fuels and alternative fuel vehicles, it could choose to delete the provision. The duties pertaining to state fuel use that are currently assigned to OEI could be transferred to DOA.

17. Alternatively, it could be argued that there are now larger markets and production capabilities for alternative fuels. The Wisconsin Energy Statistics for 2010, reports that state use of petroleum based gasoline declined by 101.7 million gallons between 2006 and 2009 (4.24%). The report also indicated that the consumption of ethanol increased by a similar amount 99.6 million

gallons, representing a 76.4% increase in the ethanol market in Wisconsin from 2006 to 2009. Ethanol sales represented 5.4% of all transportation fuels sales in Wisconsin in 2006, but had increased to 9.1% in 2009. Therefore, the ethanol market has reached sufficient market status to compete for market shares regardless of state use policies.

18. If the Committee believes that DOA should be provided with the maximum amount of administrative flexibility and that encouraging the use of alternative fuels when feasible and cost-effective is a sufficient fuel use policy then it could approve the Governor's recommendation.

19. Alternatively, it could be argued that state use policies may have helped create this market and could continue to expand this market.

ALTERNATIVES

1. Approve the Governor's recommendation to do the following: (a) specify that state alternative fuel use requirements would instead be policies; (b) specify that the Department of Administration could encourage rather than require the storage of gasohol or alternative fuels, and only if it was cost effective; (c) specify that Department of Administration must encourage, rather than require, the use of hybrid-electric vehicles or vehicles that operate on gasohol or alternative fuels, when cost-effective; (d) specify that the Department of Administration must encourage, rather than require reductions, petroleum-based fuel reductions compared to 2006 levels and specify that these levels would be 20% by 2015 for gasoline and 10% by 2015 for diesel; (e) specify that whenever feasible and cost-effective, the Department of Administration must encourage, rather than require, the distribution of gasohol and alternative fuels and usage of hybrid-electric vehicles or vehicles that operate on gasohol or alternative fuels by individuals that use vehicles on state business and by residents of the state in general; (f) delete a requirement that the Department of Administration report to the appropriate standing committees concerning the distribution of gasohol and alternative fuels and usage of hybrid electric, gasohol, and alternative fuel vehicles by April 30 of each year; and (g) delete the requirement that the Office of Energy Independence adopt, and revise when necessary, a plan to facilitate the states use of alternative fuels in the flex fuel vehicles owned by the state.

2. Delete the Governor's recommendation and specify that the Department of Administration adopt, and revise when necessary, a plan to facilitate the states use of alternative fuels in the flex fuel vehicles owned by the state.

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