

**FISCAL IMPACT OF PROPOSED LEGISLATION**

**Measure: HB 4090**

81st Oregon Legislative Assembly – 2022 Regular Session  
Legislative Fiscal Office

*Only Impacts on Original or Engrossed  
Versions are Considered Official*

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**Measure Description:**

Requires state contracting agency that procures or intends to procure vehicle with diesel motor or engine to qualify vehicle for procurement by obtaining certification from manufacturer or vendor of vehicle that diesel motor or engine is capable of operating with blended fuel that consists of not less than 20 percent biodiesel.

**Government Unit(s) Affected:**

Oregon Department of Transportation (ODOT), Department of Administrative Services (DAS), Department of Fish and Wildlife (ODFW), Oregon Parks and Recreation Department (OPRD), Oregon State Police (OSP), Oregon Department of Agriculture (ODA), Statewide (State Contracting Agencies)

**Summary of Fiscal Impact:**

Costs related to the measure may require budgetary action - See analysis.

**Summary of Expenditure Impact:**

**Oregon Department of Transportation**

	<b>2021-23 Biennium</b>	<b>2023-25 Biennium</b>
<b>Other Funds</b>		
Services and Supplies	807,000	1,375,000
<b>Total Other Funds</b>	<b>\$807,000</b>	<b>\$1,375,000</b>

**Analysis:**

House Bill 4090 requires a state contracting agency that procures or intends to procure a vehicle with a diesel motor or engine to qualify that vehicle for procurement by obtaining a written certification from the manufacturer or vendor that the diesel motor or engine is capable of operating with a blended fuel that contains at least 20 percent (20%) biodiesel. The measure applies to public contracts that a state contracting agency advertises or otherwise solicits or enters on or after its effective date. The measure takes effect 91 days after adjournment *sine die*.

**Oregon Department of Transportation**

The measure requires diesel vehicles to be qualified to be able to run on biodiesel. The Oregon Department of Transportation (ODOT) is currently undertaking efforts to transition many of its diesel vehicles from traditional petroleum diesel to renewable diesel. While traditional diesel engines can run on renewable diesel fuel without any additives to the fuel or changes to the vehicle, biodiesel is a fuel that traditional diesel vehicles cannot use without additives.

A transition to biodiesel vehicles will impact ODOT, primarily in the storage and consumption of biodiesel fuel. Due to its altered refining process, biodiesel is more susceptible to water and microbial growth, leading to gelling in storage tanks in cooler temperatures. To resolve this issue, biodiesel requires the use of additives during winter months, which are estimated to cost up to \$1.50 per gallon. ODOT, on average, uses 450,000 gallons of diesel fuel per year during winter months (i.e., December through February). Assuming a constant consumption

rate, ODOT expects the use of biodiesel to increase its fueling costs by \$1,350,000 per biennium, or \$675,000 per year.

Additionally, the use of biodiesel will require the purchase of new equipment to maintain ODOT's 53 bulk fueling stations across Oregon. When gelling does occur in a bulk storage tank, the tank must be emptied and cleaned. While the cost of cleaning a tank is estimated at \$7,000 to \$10,000 per tank, it should be noted that the cost of emptying and cleaning a tank will depend on whether gelling occurs, which is presently unknown. Also, ODOT will attempt to mitigate and avoid these costs through the purchase and use of desiccant breathers, which cost up to \$2,500 each and will periodically need to be replaced.

While some variables are presently unknown, the anticipated fiscal impact to ODOT is \$807,000 Other Funds in the 2021-23 biennium and \$1,375,000 Other Funds in 2023-25. These expenses will be paid for with State Highway Funds, unless another revenue source is provided. Furthermore, because these are new, unanticipated expenditures, ODOT will need an increase in expenditure limitation in the 2021-23 biennium to implement the measure.

The measure warrants a subsequent referral to the Joint Committee on Ways and Means for consideration of its impact to ODOT's budget and State Highway Funds.

**Statewide (State Contracting Agencies)**

The measure is anticipated to have a minimal fiscal impact on state contracting agencies, including the Department of Administrative Services, Department of Fish and Wildlife, Oregon Parks and Recreation Department, Oregon State Police, and the Oregon Department of Agriculture. However, should an agency incur significant costs that cannot be absorbed, the agency may need to seek additional resources from the Legislative Assembly or the Emergency Board.