



# Senate

General Assembly

**File No. 165**

February Session, 2006

Senate Bill No. 572

*Senate, March 28, 2006*

The Committee on Energy and Technology reported through SEN. FONFARA of the 1st Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

## ***AN ACT CONCERNING E-85 INCENTIVES.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (c) of section 4a-59 of the general statutes is  
2 repealed and the following is substituted in lieu thereof (*Effective July*  
3 *1, 2006*):

4 (c) All open market orders or contracts shall be awarded to (1) the  
5 lowest responsible qualified bidder, the qualities of the articles to be  
6 supplied, their conformity with the specifications, their suitability to  
7 the requirements of the state government and the delivery terms being  
8 taken into consideration and, at the discretion of the Commissioner of  
9 Administrative Services, life-cycle costs and trade-in or resale value of  
10 the articles may be considered where it appears to be in the best  
11 interest of the state, (2) the highest scoring bidder in a multiple criteria  
12 bid, in accordance with the criteria set forth in the bid solicitation for  
13 the contract, or (3) the proposer whose proposal is deemed by the  
14 awarding authority to be the most advantageous to the state, in  
15 accordance with the criteria set forth in the request for proposals,

16 including price and evaluation factors. Notwithstanding any provision  
17 of the general statutes to the contrary, each state agency awarding a  
18 contract through competitive negotiation shall include price as an  
19 explicit factor in the criteria in the request for proposals and for the  
20 contract award. In considering past performance of a bidder for the  
21 purpose of determining the "lowest responsible qualified bidder" or  
22 the "highest scoring bidder in a multiple criteria bid", the  
23 commissioner shall evaluate the skill, ability and integrity of the  
24 bidder in terms of the bidder's fulfillment of past contract obligations  
25 and the bidder's experience or lack of experience in delivering  
26 supplies, materials, equipment or contractual services of the size or  
27 amount for which bids have been solicited. In determining the lowest  
28 responsible qualified bidder for the purposes of this section, the  
29 commissioner may give a price preference of up to ten per cent for (A)  
30 the purchase of goods made with recycled materials or the purchase of  
31 recyclable or remanufactured products if the commissioner determines  
32 that such preference would promote recycling or remanufacturing. As  
33 used in this subsection, "recyclable" means able to be collected,  
34 separated or otherwise recovered from the solid waste stream for  
35 reuse, or for use in the manufacture or assembly of another package or  
36 product, by means of a recycling program which is reasonably  
37 available to at least seventy-five per cent of the state's population,  
38 "remanufactured" means restored to its original function and thereby  
39 diverted from the solid waste stream by retaining the bulk of  
40 components that have been used at least once and by replacing  
41 consumable components and "remanufacturing" means any process by  
42 which a product is remanufactured; (B) the purchase of motor vehicles  
43 powered by a clean alternative fuel; or (C) the purchase of motor  
44 vehicles powered by fuel other than a clean alternative fuel and  
45 conversion equipment to convert such motor vehicles allowing the  
46 vehicles to be powered by either the exclusive use of clean alternative  
47 fuel or dual use of a clean alternative fuel and a fuel other than a clean  
48 alternative fuel. As used in this subsection, "clean alternative fuel" shall  
49 mean natural gas, [or] electricity when used as a motor vehicle fuel or  
50 a motor vehicle fuel blend of eighty-five per cent ethanol and fifteen

51 per cent gasoline. All other factors being equal, preference shall be  
52 given to supplies, materials and equipment produced, assembled or  
53 manufactured in the state and services originating and provided in the  
54 state. If any such bidder refuses to accept, within ten days, a contract  
55 awarded to such bidder, such contract may be awarded to the next  
56 lowest responsible qualified bidder or the next highest scoring bidder  
57 in a multiple criteria bid, whichever is applicable, and so on until such  
58 contract is awarded and accepted. If any such proposer refuses to  
59 accept, within ten days, a contract awarded to such proposer, such  
60 contract shall be awarded to the next most advantageous proposer,  
61 and so on until the contract is awarded and accepted. There shall be a  
62 written evaluation made of each bid. This evaluation shall identify the  
63 vendors and their respective costs and prices, document the reason  
64 why any vendor is deemed to be nonresponsive and recommend a  
65 vendor for award. A contract valued at one million dollars or more  
66 shall be awarded to a bidder other than the lowest responsible  
67 qualified bidder or the highest scoring bidder in a multiple criteria bid,  
68 whichever is applicable, only with written approval signed by the  
69 Commissioner of Administrative Services and by the Comptroller. The  
70 commissioner shall submit to the joint standing committee of the  
71 General Assembly having cognizance of matters relating to  
72 government administration, the State Auditors and the Comptroller,  
73 an annual report of all awards made pursuant to the provisions of this  
74 section.

75 Sec. 2. Subsection (c) of section 12-217i of the general statutes is  
76 repealed and the following is substituted in lieu thereof (*Effective July*  
77 *1, 2006*):

78 (c) If the amount of any credit provided in this section exceeds the  
79 amount of tax otherwise payable in the income year or calendar  
80 quarter, as the case may be, in which such expenditure was paid or  
81 incurred, the balance of any such credit remaining may be taken in any  
82 of the three succeeding income years or twelve succeeding calendar  
83 quarters, respectively. Any taxpayer allowed such a tax credit against  
84 the tax imposed under this chapter, chapter 209, 210, 211 or 212 shall

85 not be allowed such credit under more than one of said chapters. As  
86 used in this section "clean alternative fuel" [shall mean] means  
87 compressed natural gas, liquefied petroleum gas, liquefied natural gas,  
88 [or] electricity when used as a motor vehicle fuel or a motor vehicle  
89 fuel blend of eighty-five per cent ethanol and fifteen per cent gasoline  
90 and "incremental cost" shall mean the difference between the purchase  
91 price of a vehicle which is exclusively powered by a clean alternative  
92 fuel and the manufacturer's suggested retail price of a comparably  
93 equipped vehicle which is not so powered.

94 Sec. 3. Subdivision (67) of section 12-412 of the 2006 supplement to  
95 the general statutes is repealed and the following is substituted in lieu  
96 thereof (*Effective July 1, 2006*):

97 (67) Sales of and the storage, use or other consumption, prior to July  
98 1, 2008, of a new motor vehicle which is exclusively powered by a  
99 clean alternative fuel. As used in this subdivision and subdivisions (68)  
100 and (69) of this section, "clean alternative fuel" shall mean natural gas,  
101 hydrogen, propane, [or] electricity when used as a motor vehicle fuel  
102 [or propane when used as a motor vehicle fuel] or a motor fuel blend  
103 of eighty-five per cent ethanol and fifteen per cent gasoline if such a  
104 vehicle meets the federal fleet emissions standards under the federal  
105 Clean Air Act or any emissions standards adopted by the  
106 Commissioner of Environmental Protection as part of the state's  
107 implementation plan under said act.

108 Sec. 4. Section 12-458f of the general statutes is repealed and the  
109 following is substituted in lieu thereof (*Effective July 1, 2006*):

110 On and after July 1, 1994, and until July 1, 2008, compressed natural  
111 gas, liquefied petroleum gas, [and] liquefied natural gas or a motor  
112 fuel blend of eighty-five per cent ethanol and fifteen per cent gasoline  
113 shall not be subject to the tax imposed under section 12-458.

114 Sec. 5. Subsection (a) of section 32-23z of the general statutes is  
115 repealed and the following is substituted in lieu thereof (*Effective July*  
116 *1, 2006*):

117 (a) A Business Environmental Clean-Up Revolving Loan Fund is  
118 created. The state, acting through the Connecticut Development  
119 Authority, may provide loans or lines of credit from the Business  
120 Environmental Clean-Up Revolving Loan Fund (1) to businesses for  
121 the purposes of the containment and removal or mitigation of the  
122 discharge, spillage, uncontrolled loss, seepage or filtration of oil or  
123 petroleum or chemical liquids or solid, liquid or gaseous products or  
124 hazardous wastes, and (2) to businesses which convert gas and diesel-  
125 powered motor vehicles to vehicles powered by either gas or diesel  
126 fuel and a clean-burning alternative fuel, including but not limited to,  
127 compressed natural gas, [or] electricity or a motor fuel blend of eighty-  
128 five per cent ethanol and fifteen per cent gasoline. Loans or lines of  
129 credit under subdivision (2) of this subsection shall be for working or  
130 development capital. For the purposes of this section, "business" means  
131 any business which (A) if applying for assistance under subdivision (1)  
132 of this subsection, has been in business for at least one year prior to the  
133 date of application for its loan or line of credit or, if applying for  
134 assistance under subdivision (2) of this subsection, has been in  
135 business for at least two years prior to such application date, (B) has  
136 gross revenues, including revenues of affiliates, less than three million  
137 dollars in the most recent fiscal year before the date of the application  
138 or has less than one hundred fifty employees and, if applying for  
139 assistance under subdivision (2) of this subsection, derived at least  
140 seventy-five per cent of its gross revenues in such year from motor  
141 vehicle fuel conversion activities, (C) if applying for assistance under  
142 subdivision (1) of this subsection, has been doing business and has  
143 maintained its principal office and place of business in the state for a  
144 period of at least one year prior to the date of its application for  
145 assistance under this section or, if applying for assistance under  
146 subdivision (2) of this subsection, has been doing business and has  
147 maintained such office and business in the state for a period of at least  
148 two years prior to such application date, and (D) demonstrates, to the  
149 satisfaction of the authority and in its sole discretion, that it is unable  
150 to obtain financing from conventional sources on reasonable terms or  
151 in reasonable amounts. The Connecticut Development Authority shall

152 charge and collect interest on each such loan or line of credit at a rate  
 153 to be determined in accordance with regulations adopted pursuant to  
 154 subsection (b) of this section. The total amount of such loans or lines of  
 155 credit provided to any single business in any period of twelve  
 156 consecutive months shall not exceed two hundred thousand dollars.  
 157 Payments made by businesses on all loans and lines of credit paid to  
 158 the Treasurer for deposit in the Business Environmental Clean-Up  
 159 Revolving Loan Fund shall be credited to such fund.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2006</i>	4a-59(c)
Sec. 2	<i>July 1, 2006</i>	12-217i(c)
Sec. 3	<i>July 1, 2006</i>	12-412(67)
Sec. 4	<i>July 1, 2006</i>	12-458f
Sec. 5	<i>July 1, 2006</i>	32-23z(a)

**ET**            *Joint Favorable*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

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### **OFA Fiscal Note**

#### **State Impact:**

<b>Agency Affected</b>	<b>Fund-Effect</b>	<b>FY 07 \$</b>	<b>FY 08 \$</b>
Department of Revenue Services	GF/TF - None	See Below	See Below
CT. Development Auth. (quasi-public)	See Below	See Below	See Below
Dept. of Administrative Services	GF - None	None	None

Note: GF=General Fund, TF=Transportation Fund

#### **Municipal Impact:** None

#### **Explanation**

The bill extends various existing tax incentives (business tax, sales tax, and motor fuels tax) that encourage the use of alternative power vehicles and alternative fuel to E-85. The extension of these tax benefits is not anticipated to result in a fiscal impact in the next few years because:

The tax incentives (§12-217i & §12-412(67)) for alternative power vehicles are limited to vehicles that are exclusively alternative sources. Vehicles that use E-85 can also use conventional fuel and therefore would not qualify for these tax incentives;

Currently, E-85 is not commercially available in Connecticut (it is only available at two DOT filling stations for state vehicles). Therefore, extending the motor fuels tax exemption for alternative fuels (§12-458f) to E-85 is not anticipated to result in a loss of revenue to the Special Transportation Fund.

The bill also allows the Department of Administrative Services (DAS) to give a price preference of up to 10% for E-85 vehicles. This provision is not anticipated to have a fiscal impact on DAS because the language is permissive and a DAS request for proposal would

specifically ask for bids on E-85 vehicles; therefore the 10% price preference would not be a factor.

The bill expands the use of the Business Environmental Clean-Up Revolving Loan Fund administered by the Connecticut Development Authority (CDA). This fund is currently not capitalized and the program/fund has not been utilized in over a decade.

### ***The Out Years***

The bill may result in a significant annual revenue loss to the Special Transportation Fund if in the future E-85 fuel becomes commercially available and becomes a major source of motor fuel in Connecticut.

**OLR Bill Analysis**  
**SB 572**

***AN ACT CONCERNING E-85 INCENTIVES.***

**SUMMARY:**

This bill establishes tax benefits and other incentives to promote the use of E-85, a motor vehicle fuel that consists of 85% ethanol (grain alcohol) and 15% gasoline.

EFFECTIVE DATE: July 1, 2006

**TAX BENEFITS**

The bill exempts, until July 1, 2008, E-85 from the motor vehicle fuels (gasoline) tax. It exempts new vehicles that are exclusively powered by E-85 from the sales tax. Many of the vehicles that can use E-85 can also use conventional gasoline, and it is unclear whether the tax benefits apply to these vehicles.

The bill also provides:

1. a credit against the corporation business, air carriers, railroad company, cable TV, or utility company tax equal to 10% of the amount paid for the incremental cost of purchasing a vehicle that is exclusively powered by E-85; and
2. a credit against the corporation business tax equal to 50% of the cost of buying and installing conversion equipment to allow a conventional vehicle to use E-85.

The credits apply to income years starting before January 1, 2008.

**OTHER INCENTIVES**

The bill allows the Department of Administrative Services to give a

price preference of up to 10% for (1) vehicles powered by E-85 and (2) conventional vehicles and the equipment to convert them to permit the use of E-85, if the vehicle meets applicable federal or state emission standards. It also makes businesses that convert conventional vehicles to allow them to use E-85 or gasoline or diesel eligible for the Business Environmental Clean-Up Revolving Loan Program administered by the Connecticut Development Authority.

**COMMITTEE ACTION**

Energy and Technology Committee

Joint Favorable

Yea 18 Nay 0 (03/14/2006)