

**Program Summary
Department of Weights and Measures
Oxygenated Fuel Program**

Program Overview

The Oxygenated Fuel Program is administered by the Arizona Department of Weights and Measures (DWM). The program is responsible for protecting the environment and the consumer by (1) sampling and testing gasoline and diesel fuel quality, and (2) taking appropriate regulatory action. The program is responsible for the enforcement of the Arizona Cleaner Burning Gasoline (AzCBG) program which involves the registration and regulation of the registered gasoline suppliers, blenders, and transporters. The program also tests diesel fuel to ensure compliance with the Ultra-Low Sulfur Diesel standards enacted by the Environmental Protection Agency in October of 2006.

The program's mission is to ensure that gasoline and diesel products sold to and used by consumers are in accordance with national and state adopted standards. This is accomplished through continuously sampling and testing gasoline entering the state through refineries and gasoline being sold through gasoline retailers.

Samples of Arizona's gas are tested from each of the major points along the distribution system. These locations include:

- Oil refineries (Contracted Audits)
- Storage terminals (Contracted Audits)
- Transportation pipelines
- Distribution terminals
- Fueling stations

At each of these locations, the gas is required to meet the AzCBG standards.

Program Funding

The Oxygenated Fuel Program is appropriated money from the Air Quality Fund (AQF). AQF revenue is generated from an annual air quality fee of \$1.50 paid at the time of vehicle registration (A.R.S. § 49-551). In addition, funding for the AQF may be generated from gifts, grants, donations, and monies appropriated by the Legislature.

In FY 2008, the program is funded at \$901,600 and includes 6 FTE Positions. This is an increase of \$60,300 (7%) over FY 2007. *Table 1* displays historical funding information for the Oxygenated Fuel Program, using data from FY 2005, FY 2006, FY 2007, and FY 2008.

| Table 1 Oxygenated Fuel Program Funding History | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| <u>Fund</u> | <u>FY 2005</u> | <u>FY 2006</u> | <u>FY 2007</u> | <u>FY 2008</u> |
| AQF | \$790,000 | \$807,600 | \$847,500 | \$901,600 |

The increase in funding between FY 2007 and FY 2008 was increased testing associated with the Ultra-Low Sulfur Diesel program and for increased statewide salary adjustments and other budget changes.

Cleaner Burning Gasoline

The department contracts with a private company to conduct audits at oil refineries, storage terminals, and transportation pipelines to verify that fuel is meeting AzCBG standards. The FY 2008 appropriation includes \$180,000, a \$31,000 increase over FY 2007, to provide an increased number of audits.

Audits on the larger refineries are conducted on an annual basis, while audits on the smaller refineries are conducted on a scheduled 4-year cycle. The audits are required by the Environmental Protection Agency as part of their approval of the state implementation plan. Civil penalties are imposed in accordance with A.R.S. § 41-2115, and the department follows a progressive scale for repeat offenders. The revenue received from these fines is deposited into the General Fund along with all other revenue generated by DWM.

Department Inspectors

In addition to the fuel audits conducted by the private company, the department inspectors conduct inspections at the distribution terminals and fueling stations. Inspections at the distribution terminal are conducted on a regular basis, while inspections at fueling stations are conducted on either a random basis or by request. By conducting audits and inspections at each point in the distribution system, the department attempts to monitor fuel quality and ensure that the fuel meets national and state standards.

Recent Programmatic Changes

The Legislature made several changes to the program during the 2006 and 2007 Legislative Sessions.

1. Laws 2007, Chapter 292 required most of Pinal County to use Cleaner Burning Gasoline from May 31st to September 30th of each year, requiring monitoring of facilities in this area for

compliance with AzCBG standards during the summer months.

2. Laws 2006, Chapter 98 placed ethanol blend E85 and biodiesel blends in the definition of motor fuels, and requires producers and retailers of these fuels to report their sales to DWM.

Performance Measures

Table 2 includes the performances measures DWM uses to assess the performance of the Oxygenated Fuel Program.

The only performance measure included in the General Appropriation Act relative to the Oxygenated Fuel Program is the measure to assess the percent of AzCBG's in compliance with oxygenated fuel standards. The purpose of most of

the measures used is to assess the quality of Arizona's gas. Although these measures display the effectiveness of the Oxygenated Fuel Program, they do not assess the program's efficiency. In essence, this is a results focused approach. Although results focused performance measures are important, often process focused measures can portray vital information.

DWM suggests a performance measure is needed for the transporters of fuel. The department has found that the fuel is compliant when leaving the Arizona terminal, but after being delivered to the retailers the fuel is no longer in compliance. The department is in the process of implementing a measure to track this issue.

| Oxygenated Fuel Program Performance Measures | | | | |
|---|----------------------------------|----------------------------------|----------------------------------|------------------------------------|
| <u>Performance Measure</u> | <u>FY 2005 Actual</u> | <u>FY 2007 Actual</u> | <u>FY 2007 Actual</u> | <u>FY 2008 Estimate</u> |
| Percent of AzCBG's in compliance | 97 | 97 | 97 | 100 |
| Percent of non-CBG's in compliance | 94 | 95 | 97 | 100 |
| Registered suppliers | 42 | 42 | 46 | 46 |