

OFFICE OF FISCAL ANALYSIS

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sSB-4

AN ACT CONCERNING THE CONNECTICUT CLEAN AIR ACT.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 23 \$	FY 24 \$
Department of Transportation	TF - Potential Cost	See Below	See Below
Resources of the General Fund	GF - Revenue Loss	5 million	5 million
Department of Energy and Environmental Protection	CHEAPR (nonlapsing GF) - Cost/Revenue Gain	5 million	5 million
Department of Motor Vehicles	TF - Revenue Gain	1.3 million	1.4 million
Treasurer, Debt Serv.	GF - Cost	See Below	See Below
Department of Energy and Environmental Protection	GF - Cost	15 million	None
Department of Energy and Environmental Protection	GF - Cost	69,128	69,128
State Comptroller - Fringe Benefits ¹	GF - Cost	28,018	28,018
Department of Transportation	TF - Cost	650,000	650,000
State Comptroller - Fringe Benefits ¹	TF - Cost	60,063	60,063

Note: TF=Transportation Fund; GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 23 \$	FY 24 \$
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¹The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 40.53% of payroll in FY 23.

Various Local and Regional School Districts	STATE MANDATE ² - Potential Revenue Gain/Cost	See Below	See Below
All Municipalities	Grand List Reduction	None	Potential
All Municipalities	Potential Savings	See Below	See Below
Various Local and Regional School Districts	Potential Savings/ Cost	See Below	See Below

Explanation

Section 1 accelerates various targets, from 2030 to 2026, regarding the percentage of the state fleet that must have zero emissions. This provision is not expected to have a fiscal impact because it is anticipated that the Department of Administrative Services (DAS) would not make fleet purchases if there were significant market barriers or if they were otherwise not cost effective. If DAS does not meet these requirements, the agency must submit a report to various legislative committees explaining why and proposing an alternative schedule.

This section also prohibits the Department of Transportation (DOT) from purchasing or leasing any diesel-fueled transit buses beginning in 2024. This provision may increase capital costs over the next several years, covered in part by federal funds, but only to the extent that it requires DOT to accelerate its transit fleet conversion beyond what it would have otherwise done. It should be noted that the agency's current policy and plans align with this section's requirements.

Section 5 requires all new construction of a state facility or a school building project have at least 20% of parking spaces for cars or light duty trucks be installed with level II electric vehicle (EV) charging stations. This is expected to increase construction costs of relevant projects and

² State mandate is defined in Sec. 2-32b(2) of the Connecticut General Statutes, "state mandate" means any state initiated constitutional, statutory or executive action that requires a local government to establish, expand or modify its activities in such a way as to necessitate additional expenditures from local revenues.

represents a potential cost to the state and potential cost and revenue gain to local and regional school districts.

The school construction program is funded using General Obligation (GO) bonds, in two large tracts: priority list projects (i.e., larger projects approved in legislation) and non-priority list projects. Non-priority list projects currently include emergency items, such as fire or catastrophe damage, leaking roofs, or code violations. The bill requires all school building projects that are part of the state's school construction reimbursement program include installation of vehicle charging stations as part of school building projects, whether those projects fall under the legislatively-approved, and typically larger scale, priority list or the administratively approved non-priority list.

It seems likely that schools would not seek state reimbursement for non-priority projects if the cost of installation of the charging stations was greater than the costs associated with the underlying project. To the extent schools do not participate in the state school construction program to avoid the increased costs associated with installing charging stations, there are potential increased costs to local and regional school districts if those districts choose to undertake school construction projects. Use of previously authorized bond funds for school construction could be increased if school project reimbursements are accelerated, or decreased if schools choose not to be part of the program.

While the bill requires charging station installation for the non-priority list projects, current law (CGS Sec. 10-283, which is unchanged by the bill) does not appear to allow for state reimbursement of costs associated charging stations for non-priority list projects. The potential aversion to being part of the state school construction program described above would increase if the additional costs associated with the charging stations are not a reimbursable expense. Use of previously authorized bond funds for school construction could be decreased if schools choose not to be part of the program and the charging stations are not an eligible reimbursable expense.

For school construction priority list projects, the bill is likely to

increase overall costs of projects to be considered in the future. To the extent these changes increase the total cost of future projects, the increased cost would be shared between municipalities and the state at the appropriate reimbursement ratio. Similarly, for new state facility construction, the bill will increase future project costs. Specific costs for eligible projects, including the marginal increase from the charging station requirement, can only be determined as project expenses are incurred by municipalities or the state and state reimbursements are sought and offered. The fiscal impact of future projects requiring legislative approval would be shown at the time such projects are considered.

Future General Fund (GF) debt service costs may be incurred sooner under the bill to the degree that it causes previously authorized GO bond funds to be expended or to be expended more rapidly than they otherwise would have been.

As of March 1, 2022, the unallocated bond balance available under the school construction authorization is \$636 million, with another \$550 million effective under current law to start FY 23. The bill does not change GO bond authorizations relevant to this section.

Section 6 exempts electric buses, certain EV charging stations, and other refueling equipment for fuel-cell EVs from property taxes.

Exempting electric buses from property tax varies based on the type of bus exempted. School buses are owned by private companies and are taxable. It is not known if any private school bus companies currently use electric buses. To the extent that they do, the cost of paying property taxes on those buses is presumably factored in their contracts with municipalities. Exempting these buses would result in a grand list reduction in municipalities where they are registered but could also reduce the cost of municipal contracts. At the average statewide mill rate, the property taxes on a single electric school bus could range from \$6,500 to \$11,000. Exempting electric charter buses from property taxes has no fiscal impact, because such buses are already exempt.

Exempting EV charging stations and other refueling equipment similarly results in a grand list reduction in the municipalities where the equipment is located. Any grand list reduction results in a revenue loss, given a constant mill rate.

Sections 7 & 11 of the bill alter and expand the Connecticut Hydrogen and Electric Automobile Purchase Rebate (CHEAPR) program. The bill increases program funding by transferring the entire greenhouse gas (GHG) vehicle registration fee to the CHEAPR account, resulting in GF revenue loss of approximately \$5 million annually and an equal revenue gain to the CHEAPR account. The GHG fee generates approximately \$8 million annually, but under current law only the first \$3 million goes to CHEAPR, with the remainder going to the GF. Further, the bill extends eligibility to municipalities, resulting in potential savings to the extent they receive these incentives.

Section 8 eliminates the registration discount for EVs, bringing the fee from \$57 to \$120 for a three-year period, the same as for regular registrations. This results in an estimated revenue gain of \$1.3 million in FY 23 and \$1.4 million in FY 24.³

Sections 13 & 17 authorize a combined \$95 million in GO bonds, including \$75 million for DOT to establish a traffic signal grant program and \$20 million for the Department of Energy and Environmental Protection (DEEP) to establish a zero-emission school bus grant program. To the extent bonds are fully allocated and expended, total debt service is expected to be approximately \$136 million over the 20-year duration of the bonds.

Sections 14 & 19 allow DEEP to establish a voucher program for the deployment of certain zero emission vehicles after January 1, 2023, and

³ According to the DMV, there were 21,382 EVs registered in the state as of January 1, 2022. For FY 23 and FY 24, this estimate assumes EV purchases in the state (used here as a proxy for new registrations) follow the growth reflected in the Energy Information Administration's 2021 Annual Energy Outlook reference case regional forecast for New England. Specifically, it follows the growth rate for all 100-mile, 200-mile, and 300-mile electric cars and light trucks.

within available funds. These sections also establish a "medium and heavy duty vehicle voucher account" within the GF and appropriate \$15 million to the account in FY 23.

Section 15 allows local and regional boards of education to enter into school transportation contracts for up to 10 years, rather than five under current law, if the contract includes at least one school bus that is zero-emission. It is anticipated that a local and regional school district would only enter into a 10-year contract, rather than a five-year contract, if they could achieve savings. The savings incurred by districts would depend on the terms of the contract.

Section 16 requires that all school buses be zero-emission by: (1) January 1, 2030, in certain environmental justice school districts, and (2) by January 1, 2035, in the remaining districts. To the extent that the cost of this requirement exceeds available state bond and federal funds, local and regional school districts will incur a cost. It is anticipated that these costs could be significant and would depend on the number of buses in a district that are not zero-emission, and the amount of bond funds and federal funds the district received.

This section also requires DEEP to establish a new grant program to provide matching funds for municipalities, school districts, and school bus operators when submitting federal grant applications for zero-emission buses and EV charging infrastructure. The funds for this program are provided through GO bonds and are described in Sections 13 & 17 above. However, additional costs of \$97,146 in each of FY 23 and FY 24 are expected for DEEP to hire an Environmental Analyst 3 to administer the program.

Section 18 requires DOT to establish, beginning in FY 25 and annually thereafter, a transportation carbon budget that sets the maximum amount of GHG emissions permitted from the transportation sector. Implementing this provision is estimated to cost \$710,063 in each of FY 23 and FY 24 for a consultant to develop a framework and methodology for the budget (approximately \$1 million total) and two transportation planner positions to oversee the program.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation, the terms of any bonds issued, the number of EVs registered in the state, and as otherwise described.