OFFICE OF FISCAL ANALYSIS

Legislative Office Building, Room 5200
Hartford, CT 06106 ◇ (860) 240-0200
http://www.cga.ct.gov/ofa

sSB-4
AN ACT CONCERNING THE CONNECTICUT CLEAN AIR ACT.
As Amended by Senate "A" (LCO 5431)
Senate Calendar No.: 278

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) - Revenue Gain	5 million	5 million
Department of Energy and Environmental Protection	CHEAPR (nonlapsing GF) - Cost	See Below	See Below
Department of Motor Vehicles	TF - Revenue Gain	1.3 million	1.4 million
State Comptroller - Fringe Benefits[1]	GF - Cost	28,018	28,018
Treasurer, Debt Serv.	GF - Cost	See Below	See Below

Note: TF=Transportation Fund; GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 23 $	FY 24 $
All Municipalities	Grand List Reduction	None	Potential
All Municipalities	See Below	See Below	See Below
Various Local and Regional School Districts	STATE MANDATE[2]	See Below	See Below

[1]The 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.
[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

	- Revenue Gain/Cost		

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; DOT's current policy and plans align with this section's requirements.

Section 5 requires new construction of state facilities, beginning on and after January 1, 2023, costing over $100,000 to 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 represents a potential cost to the state. Specific costs for required projects, including the marginal increase from the charging station requirement, can only be determined as project expenses are incurred. The overall fiscal impact of future projects requiring legislative approval would be shown at the time such projects

Section 6 exempts electric school buses, and certain EV charging

requires a local government to establish, expand or modify its activities in such a way as to necessitate additional expenditures from local revenues.

stations from property taxes.

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 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 & 10 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 General Fund (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. Costs to the CHEAPR program will be dependent on the number of rebates issued.

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]

[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

Sections 9 requires the Office of Policy and Management (OPM) to report annually to various legislative committees on both (1) the amount of total Clean Air Act fee revenue received for the preceding fiscal year and (2) all state funding expended on clean air-related purposes for the preceding fiscal year, as described in the bill. This section does not have a fiscal impact.

Section 11 requires DOT to establish a traffic signal matching grant program for municipalities; however, the bill does not provide a funding source or amount for the program. To the extent that funds are made available for the program, there would be a potential cost to the state and a potential revenue gain and potential cost to grant recipients. sSB 12, the revised FY 23 bond bill, as favorably reported by the Finance, Revenue and Bonding Committee, authorized $75 million for this purpose.

Section 12 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 13 sets requirements and benchmarks for school bus electrification beginning in 2030. To the extent that the costs of these requirements exceed 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 or alternative fueled, and the amount of bond funds and federal funds the district received.

This section also requires the Department of Energy and

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.

Environmental Protection (DEEP) to establish a 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. However, the bill does not provide a funding source or amount for the program. To the extent that funds are made available for the program, there would be a potential cost to the state and a potential revenue gain and potential cost to grant recipients. sSB 12, the revised FY 23 bond bill, as favorably reported by the Finance, Revenue and Bonding Committee, authorized $20 million for this purpose.

It is further expected that this section will result in a cost of $97,146, including fringe, in each of FY 23 and FY 24 for DEEP to hire an Environmental Analyst 3 to administer the program. In accordance with section 7 of the bill, the salary is expected be funded through the CHEAPR account, with the fringe costs funded through the Comptroller.

Section 14 allows DEEP to establish a voucher program for the deployment of certain zero emission vehicles after January 1, 2023. Section 7 of the bill authorizes DEEP to expend CHEAPR account funds for this program.

Section 15 authorizes DEEP to adopt regulations implementing California's medium- and heavy-duty motor vehicle standards and has no fiscal impact because DEEP has the necessary expertise to adopt these regulations.

Section 17 requires EV charging stations be included in new school construction projects submitting applications on or after July 1, 2023. The section is likely to increase overall costs of new construction projects to be considered in the future, with marginal changes to project costs and state reimbursements no earlier than FY 25.

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. 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.

The school construction program is funded using General Obligation (GO) bonds. After FY 24, future 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 April 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 18 redirects Regional Greenhouse Gas Initiative (RGGI) auction proceeds allocated to the Connecticut Green Bank in excess of $5.2 million to the CHEAPR account. As the Green Bank is allocated 23% of RGGI proceeds, this section is not anticipated to have a fiscal impact.

The other sections of the bill are technical, make conforming changes, or otherwise do not have a fiscal impact to the state of municipalities.

Senate "A" eliminates the original bill and its associated fiscal impact and results in the impact described above.

The Out Years

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