

Fiscal Note

2023-2024 Legislative Session

HF413 - 1A - State Fleet Electric Vehicle Purchase Preference

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Committee: Commerce Finance And Policy
Date Completed: 2/28/2023 7:55:12 AM
Agency: Administration Dept

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings	X	
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
Restrict Misc. Special Revenue	-	-	-	-	-
Fleet Service	-	7	5	4	4
Total	-	7	5	4	4
Biennial Total			12		8

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Restrict Misc. Special Revenue	-	-	-	-	-
Fleet Service	-	.05	.04	.03	.03
Total	-	.05	.04	.03	.03

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Susan Nelson Date: 2/27/2023 11:53:46 AM
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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium		Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
Restrict Misc. Special Revenue	-	-	-	-	-
Fleet Service	-	7	5	4	4
Total	-	7	5	4	4
Biennial Total			12		8
1 - Expenditures, Absorbed Costs*, Transfers Out*					
Restrict Misc. Special Revenue					
Expenditures	-	-	-	-	-
Absorbed Costs	-	(10)	(10)	(10)	(10)
Fleet Service	-	7	5	4	4
Total	-	(3)	(5)	(6)	(6)
Biennial Total			(8)		(12)
2 - Revenues, Transfers In*					
Restrict Misc. Special Revenue	-	(10)	(10)	(10)	(10)
Fleet Service	-	-	-	-	-
Total	-	(10)	(10)	(10)	(10)
Biennial Total			(20)		(20)

Bill Description

Section 1 of this bill amends Minnesota Statute 16B.58 by adding a subdivision to require a person charging a privately owned electric vehicle at a charging station located within the Capitol area to pay an electric service fee established by the Commissioner of Administration.

Sections 2-3 of this bill establishes a preference for purchasing of electric vehicles for state fleet; requiring certification of training of motor vehicle dealer employees; providing rebates for electric vehicle purchases; requiring certain utilities to file plans with the Public Utilities Commission to promote electric vehicles; awarding grants to automobile dealers to defray cost of manufacturer certification allowing electric vehicle sales.

FSS is completing this fiscal note to specifically address section 2 of the bill that establishes the following preferences, in order, for purchase of new vehicles for state fleet.

1. Electric Vehicle;
2. Hybrid Electric Vehicle;
3. Vehicle capable of being powered by cleaner fuels; and
4. Vehicle powered by gasoline or diesel fuel.

The commissioner or agency will only reject a more preferred vehicle type if the vehicle type is incapable of carrying out the business need or if the total life-cycle cost of ownership of a preferred vehicle type is more than ten percent higher than the next lower preference type.

Each state department will:

- ensure that all new on-road vehicles, excluding emergency and law enforcement vehicles, are purchased in conformity with the hierarchy of established preferences in section 16C135, subdivision 3.

Section 9 of the bill also repeals 16B.24, subdivision 13 which requires the commissioner to require that a user of a

charging station located on the State Capitol complex used to charge a private electric vehicle pay an electric service fee which must be set to cover the electricity costs for charging an electric vehicle and for the administrative costs associated with providing electric charging stations.

Assumptions

Department of Administration is completing this fiscal note to address applicable sections 1-3 of the bill.

Section 1: There is currently an electric service fee assessed to all electric vehicle users that use a charging station on the Capitol Complex. The electric service fee is currently comprised of four components:

1. Estimated electric costs
2. Estimated equipment replacement costs
3. Administrative fee
4. Sales tax

Electric service fees apply to all EV parking including general contract parking and metered parking.

There are currently 21 electric vehicle contract holders. Prior to the implementation of the electric service fee, there had been 44 electric vehicle contract holders.

The cost of the electric service fee would be reduced beginning July 1, 2023. The estimated cost to install new equipment and replace existing equipment would no longer be included in the electric service fee. Admin will install and replace electric vehicle charging stations with other available funding sources such as the appropriation bonds issued to the Commissioner of Administration in the Laws of 2020, 5th Special Session, Chapter 3, Article 4, Section 1, Subd 2 to install electric vehicle charging infrastructure on publicly owned property. If other funding sources are not available, the parking fund would cover the cost of the equipment.

Section 2-3:

We assume Admin's activities under this bill would not begin until July 1, 2023.

The Department of Administration (Admin) does not have the knowledge or expertise to determine specialty and/or heavy-duty vehicle specifications that meet an agency's transportation business requirements. Admin would rely on the requesting agency's expertise in determining these specifications. Needs for upfitting or specialty equipment may affect whether the vehicle is available in one of the preference options.

Admin assumes agencies will prepare business use justifications and/or total life-cycle cost comparisons for less preferred vehicle preference options and submit to Admin for consideration.

Admin assumes DNR, MNDOT, and DPS will submit requests to their agency Commissioners for review and authorization to purchase vehicles for agency use.

It is expected that electrical vehicle purchase price may be higher than other vehicle types depending on contract pricing and what vehicles are chosen by our customers. Vehicles are purchased with Master lease funds and the cost of vehicle is passed on to the agencies through our rate structure over the term of their lease. It is anticipated, savings from fuel costs and maintenance costs will make up the difference on the vehicle cost over the total life cycle (see references)

The Departments of Transportation (MNDOT) and Natural Resources (DNR) purchase over 600 vehicles annually. Preferred options for about 90% of the vehicles maintained by MNDOT and DNR may not be available in the MN market for several years. This percent will decrease as more preferred vehicles become available. Admin assumes DNR, MNDOT, and the Department of Public Safety (DPS) will submit requests to their own agency Commissioners for review and authorization to purchase any vehicles for their agency use that do not align with preferences established in this bill. Each of these agencies manages their own fleets.

The bill does not clearly define Total Life Cycle Cost. Criteria will need to be defined.

Renewable diesel is not listed in Sect.2, Subd. 1(2). Our assumption is that renewable diesel is considered a cleaner renewable fuel option.

We assume Admin’s activities under this bill would not begin until July 1, 2023.

Expenditure and/or Revenue Formula

Section 1:The electric service fee is currently set at \$52 per month for contract parking and \$2/hour for metered parking.

The electric service fee would be set to cover the electricity costs of charging an electric vehicle. Electric service fees are taxable.

The exact fee amount based on this new language is not known but the fee would likely be in the range of \$10 - \$15 per month for contracts and \$0.50/ hour for metered parking. The following scenario assumes a rate of \$13 per month.

Current revenue: 21 users * \$52/month *12 months = \$13,104

Future revenue: 21 users * \$13/month * 12 months = \$3,276

The annual loss of \$9827 in electric service fee revenue would be absorbed by the parking fund.

Section 2-3:

It is hard to predict FY 2024 revenue or expenditures for this fiscal note based on the limited number of electric vehicle models currently on state contract and the availability of additional models in FY 2024.

Current contract pricing indicates the capital cost of EVs and Hybrids to be anywhere from \$1,703 to \$15,901 higher depending on vehicle type for CAT 1 vehicles. Costs savings will be realized in a number of ways through fuel, preventative maintenance, and repair costs.

It is anticipated that any increase in revenue generated from the vehicle depreciation component of the rate will be offset by the savings in the operational rate component over the life cycle of the lease term.

Vehicle Price Comparison Sample based on FY 2024 Options

Type	ICE	Hybrid	\$Diff	EV	\$Diff
Sedan	\$18,800	\$20,850	\$2,050	\$28,000	\$9,200
SUV	\$27,399	\$28,133	\$734	\$43,300	\$15,901
Mini Van	\$29,000	\$35,770	\$6,770	N/A	N/A
Light Truck	\$33,681	\$42,258	\$8,577	\$35,384	\$1,703
Full Size Van Cargo	\$42,586	N/A	N/A	\$51,188	\$8,802

FY 2024	
Admin Fleet	
Number of State Agency Vehicles Scheduled for Replacement	496
Number of Electric Vehicles Scheduled for Replacement	18
Number of Hybrid Vehicles Scheduled for Replacement	241
Remaining ICE Vehicles	237

Number of Trucks or Specialty Equipment	62
Number of ADA or Client Transport Vans	30
Number of Possible Sustainable Vehicles increased purchases	145
Estimated Actual EV/Hybrid Vehicle replacements 80%	116
Number of EVs	30
Number of Hybrids	86

Agencies would be required to submit any vehicle order request that is not an electric vehicle to Admin for review and authorization to purchase. Admin staff must review requests and make determinations if the vehicles requested are incapable of carrying out the business needs or the total life-cycle costs of ownership of a preferred vehicle type is more than ten percent higher than the next lower preference type. This may require additional research and communication with requesting agencies. Admin would then notify the requesting agency if the requested vehicle option is approved for purchase or rejected.

Job Classification/Hours	FY 24	FY25	FY 26	FY 27
Admin Div Director - Salary/Fringe				
50 hrs for FY 24	3,711			
40 hrs for FY 25		2,969		
30 hrs for FY 26			2,227	
30 hrs for FY 27				2,227
Admin Fleet Manager				
50 hrs for FY 24	3,091			
40 hrs for FY 25		2,473		
30 hrs for FY 26			1855	
30 hrs for FY 27				1855
Total	6,802	5,442	4,082	4,082

Long-Term Fiscal Considerations

It is anticipated that more electric and hybrid vehicles that meet agency vehicle needs will become available in future years. This will reduce the number of requests for less preferred vehicle choices.

Local Fiscal Impact

References/Sources

<https://www.energy.gov/eere/vehicles/articles/fotw-1190-june-14-2021-battery-electric-vehicles-have-lower-scheduled>

<https://www.osti.gov/biblio/1780970/>.

Electric Vehicle Life Cycle Cost : <http://evtc.fsec.ucf.edu/research/project6.html>

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