

HF413 - 1A - State Fleet Electric Vehicle Purchase Preference

Chief Author: **Zack Stephenson**
 Committee: **Commerce Finance And Policy**
 Date Completed: **2/28/2023 7:55:12 AM**
 Lead Agency: **Commerce Dept**
 Other Agencies:
 Administration Dept Natural Resources Dept
 Public Safety Dept Public Utilities Commission
 Transportation 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
Administration Dept						
Restrict Misc. Special Revenue	-	-	-	-	-	-
Fleet Service	-	7	5	4	4	4
Commerce Dept						
General Fund	-	807	5,597	5,597	-	-
Renewable Development	-	807	5,597	5,597	-	-
Natural Resources Dept						
Other Misc. Special Revenue	-	8	8	8	8	8
Public Utilities Commission						
General Fund	-	-	-	-	-	-
State Total						
Restrict Misc. Special Revenue	-	-	-	-	-	-
Fleet Service	-	7	5	4	4	4
General Fund	-	807	5,597	5,597	-	-
Renewable Development	-	807	5,597	5,597	-	-
Other Misc. Special Revenue	-	8	8	8	8	8
Total	-	1,629	11,207	11,206	12	12
Biennial Total			12,836		11,218	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Administration Dept					
Restrict Misc. Special Revenue	-	-	-	-	-
Fleet Service	-	.05	.04	.03	.03
Commerce Dept					
General Fund	-	1.63	1.63	1.63	.5

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Renewable Development	-	1.13	1.13	1.13	-
Natural Resources Dept					
Other Misc. Special Revenue	-	.06	.06	.06	.06
Public Utilities Commission	-	-	-	-	-
General Fund	-	.5	.5	.5	.5
Total	-	3.37	3.36	3.35	1.09

Lead 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: Christian Larson **Date:** 2/28/2023 7:55:12 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
Administration Dept						
Restrict Misc. Special Revenue		-	-	-	-	-
Fleet Service		-	7	5	4	4
Commerce Dept						
General Fund		-	807	5,597	5,597	-
Renewable Development		-	807	5,597	5,597	-
Natural Resources Dept						
Other Misc. Special Revenue		-	8	8	8	8
Public Utilities Commission						
General Fund		-	-	-	-	-
	Total	-	1,629	11,207	11,206	12
	Biennial Total			12,836		11,218
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Administration Dept						
Restrict Misc. Special Revenue						
Expenditures		-	-	-	-	-
Absorbed Costs		-	(10)	(10)	(10)	(10)
Fleet Service		-	7	5	4	4
Commerce Dept						
General Fund		-	884	5,674	5,674	77
Renewable Development		-	807	5,597	5,597	-
Natural Resources Dept						
Other Misc. Special Revenue		-	8	8	8	8
Public Utilities Commission						
General Fund		-	64	64	64	64
	Total	-	1,760	11,338	11,337	143
	Biennial Total			13,098		11,480
2 - Revenues, Transfers In*						
Administration Dept						
Restrict Misc. Special Revenue		-	(10)	(10)	(10)	(10)
Fleet Service		-	-	-	-	-
Commerce Dept						
General Fund		-	77	77	77	77
Renewable Development		-	-	-	-	-
Natural Resources Dept						
Other Misc. Special Revenue		-	-	-	-	-
Public Utilities Commission						
General Fund		-	64	64	64	64
	Total	-	131	131	131	131
	Biennial Total			262		262

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 Agency: **Commerce 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) Dollars in Thousands	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	807	5,597	5,597	-
Renewable Development	-	807	5,597	5,597	-
Total	-	1,614	11,194	11,194	-
Biennial Total			12,808		11,194

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	1.63	1.63	1.63	.5
Renewable Development	-	1.13	1.13	1.13	-
Total	-	2.76	2.76	2.76	.5

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: Christian Larson **Date:** 2/28/2023 7:54:46 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
General Fund	-	807	5,597	5,597	-	-
Renewable Development	-	807	5,597	5,597	-	-
Total	-	1,614	11,194	11,194	-	-
Biennial Total			12,808		11,194	
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	884	5,674	5,674	77	77
Renewable Development	-	807	5,597	5,597	-	-
Total	-	1,691	11,271	11,271	77	77
Biennial Total			12,962		11,348	
2 - Revenues, Transfers In*						
General Fund	-	77	77	77	77	77
Renewable Development	-	-	-	-	-	-
Total	-	77	77	77	77	77
Biennial Total			154		154	

Bill Description

HF413 establishes a preference for purchasing EVs for state owned fleets, requiring certification for EV dealers and awards grants to defray the cost of certification, provides for rebates for EV purchases, and requires utilities to file with the PUC plans to promote EVs under the “Electric Vehicle Deployment Program” (EVDP).

Section 1 [16B.58]

- Subdivision 9 proposes a fee for charging privately owned electric vehicles within the Capitol area.

Section 2 [16C.135]

- Subdivision 3 proposes a preference for purchasing electric vehicles for the state fleet of vehicles.

Section 3 [16C.137]

- Relates to Section 2 to ensure that all new vehicles are in conformity with the vehicle preference order in 16C.135.

Section 4 [168.27]

- Subdivision 2a establishes electric vehicle training requirements for motor vehicle dealers.

Section 5 [216B.1615] Electric Vehicle Deployment Program

- Subdivision 1 Definitions (Lines 3.23 through 4.22) establishes definitions in subdivision 1 for the purpose of the EVDP. Definitions include technologies, references to other existing statutory definitions, and organization types.

- Subdivision 2 Transportation electrification plans, contents (Lines 4.23 through 5.27) requires public utilities to file plans with the Public Utilities by June 1, 2024 and at least every three years thereafter to promote electric vehicles in their service territories. Plans must be designed to maximize the benefits of EVs and other electric transportation mediums while minimizing the cost. Plans must also promote the purchase of EVs, the deployment of charging infrastructure, to educate and increase awareness. Include utility investments and incentives for charging infrastructure, research and demonstration projects, rate structures and programs to optimize grid operation, and programs to increase low-income access to electric transportation infrastructure.
- Subdivision 3 Transportation electrification plan; review and implementation (Lines 5.28 through 6.15) requires the PUC to review Transportation Electrification Plans to consider whether the program improves grid operation and renewable integration, low-income access, the electrification of medium and heavy-duty vehicles, the reduction of statewide greenhouse gas emissions and other pollutants, private capital investment and job creation, customer education, and public reporting and transparency.
- Subdivision 4 Cost recovery (Lines 6.16 through 7.2) allows the PUC to approve utility cost recovery and rate of return on program investments and expenditures.

Section 6 [216C.401] Electric Vehicle Rebates.

- Subdivision 1 Definitions (Lines 7.4 through 7.26) establishes definitions in subdivision 1 for the purpose of the Rebates. Definitions includes eligible dealers and vehicles, references to other existing statutory definitions, and leases.
- Subdivision 2 Eligible vehicle. (Lines 7.27 through 8.16) New vehicles that have a base manufacturer's suggested retail price that does not exceed \$60,000. The section defines what is considered a new vehicle.
- Subdivision 3 Eligible purchaser or lessee. (Lines 8.17 through 8.28) To be eligible the vehicle must be registered in the state and be purchased by a resident of the state, a business with a valid Minnesota address, a non-profit incorporated under chapter 317a, or a political subdivision and who has not received a rebate or tax credit for the purchase or lease on an EV in Minnesota.
- Subdivision 4 Rebate amounts. (Lines 8.29 through 9.8) Section establishes a \$2,500 rebate amount for new vehicles and a \$500 rebate for used vehicles. There is also an additional \$500 for new vehicles and \$100 for used vehicles for those purchasers whose household income is less than 150% of the current federal poverty guidelines.
- Subdivision 5 Limits. (Lines 9.9 through 9.11) No more than one rebate per resident per household and no more than one rebate per business entity per year.
- Subdivision 6 Program administration. (Lines 9.12 through 9.23) This section directs the commissioner to develop the procedures and application process and to award rebates on a first-come, first-served basis. This is to be done in coordination with EV dealers and any other relevant stakeholders to develop a rebate that would be applied at the point of sale of a qualifying EV.
- Subdivision 7 Expiration. (Line 9.24) Expires June 30, 2027.

Section 7 [216C.402] Grant program; Manufacturers' certification of auto dealers to sell electric vehicles.

- Subdivision 1 establishes a grant program to EV dealers to offset the costs of the certification training and for the equipment necessary to repair EVs.
- Subdivision 2 directs the commissioner to develop the forms and procedures to review applications and grant awards.
- Subdivision 3 for a dealer to be eligible they must be licensed under chapter 168 under a franchise of an EV manufacturer to sell new Electric vehicles.
- Subdivision 4 grant dollars are to be used to reimburse dealers for reasonable costs to obtain training and certification from EV manufacturers, for the purchase and installation of the equipment needed to service and repair EVs. The Department may also take reasonable costs for the administration of the program.

- Subdivision 5 grants are limited to \$40,000 per dealer.

Section 8 Appropriations

- Paragraph (a) appropriates \$10 million in fiscal year 2024 from the renewable development account to the commissioner of commerce for the purpose of electric vehicle rebates within service territory of the public utility subject to 116C.779.
- Paragraph (b) appropriates \$10 million in fiscal year 2024 from the general fund to the commissioner of commerce for the purpose of electric vehicle rebates for eligible purchasers outside of the territory of the public utility subject to 116C.779.
- Paragraph (c) appropriates \$2 million in fiscal year 2024 from the renewable development account to the commissioner of commerce for the purpose of grant awards to automobile dealers within the service territory of the public utility subject to 116C.779.
- Paragraph (d) appropriates \$2 million in fiscal year 2024 from the general fund to the commissioner of commerce for the purpose of grant awards to automobile dealers outside of the territory of the public utility subject to 116C.779.

Section 9 Repealer

- Repeals Minnesota Statute 16B.24, subdivision 13.

Assumptions

Sections 1-3

- The Department of Commerce assumes these responsibilities primarily fall to the Department of Administration.

Section 4

- The Department of Commerce assumes these responsibilities primarily fall to the Department of Public Safety.

Section 5

- The Department of Commerce assumes it will be required to fulfill its responsibilities to represent the public interest before the Commission under its existing authority found in Minn. Stat. § 216A and 216B. This includes performing rates analysis and financial analysis for matters related to cost recovery and all items listed under Section 5, subdivisions 2, 3, and 4 of the proposed language.
- At a minimum, Commerce assumes three electric public utilities will file a plan every three years starting in 2024 and there will be at a minimum two primary components of review and analysis required (1) the actual plans, and (2) subsequent cost recovery proceedings associated with investments spurred by the plans. The procedure for review of either component can extend for up to a couple years. Commerce assumes there is no size limit for the proposed Transportation Electrification Plans and there are multiple cost recovery mechanisms that could require simultaneous analysis.
- As a result of these assumptions, it is assumed there will be an ongoing requirement for a 0.5FTE Public Utilities Rates Analyst 3 (PURA 3). The analyst will do the economic and financial analysis required for each component, issue and respond to information requests, prepare testimony both written and oral, and participate in all Commission proceedings related to these matters.
- The Department assumes the costs for these resources would be assessed back to the utilities.

Section 6

- The Department assumes that \$20 million will be appropriated (\$10 million from the renewable development

account and \$10 million from the general fund) for EV rebates. The Department also assumes it will be allowed up to 10% (recognizing that is less than 4%/year/3 years) for a combination of technical assistance, program design, and administrative costs associated with the development and execution of the program.

- The Department assumes it will be required to coordinate with vehicle dealers, manufacturers, and other stakeholders in the development of program procedures, criteria, and a list of eligible vehicles as defined in Section 6 of the proposal.
- The Department assumes that income eligibility determination for applicants seeking higher rebate amounts will require pre-qualification which would require additional resources. Specifically, under the proposed language, recipient income eligibility requirements for higher rebates are as follows: Household income at the time the eligible electric vehicle is purchased or leased is less than 150 percent of the current federal poverty guidelines established by the Department of Health and Human Services is eligible for a rebate. Note that the 150% threshold is different than other income-qualified programs administered by the Department, such as the Low-income Heating and Energy Assistance Program (LIHEAP) (50% State Median Income) and the Low-Income Weatherization Assistance Program (WAP) which has a threshold of 200% Federal Poverty Level. In addition, the upcoming IRA rebates programs are federally designed for a 80% and 150% AMI income limit. The Department assumes the different eligibility requirements across programs will necessitate additional administrative requirements to support income-eligible households with acquiring proper documentation for pre-approval.
- For rebate applications, the Department assumes there will be approximately 7200 rebate applications, requiring an online application system, vehicle dealer coordination, information resources to provide application eligibility guidance and consumer protection, equitable outreach, and program marketing to under-represented communities. 7200 applications are based on ((\$20M appropriation 10% administrative costs)/\$2500 max rebate amount=7200.
- As a result of these assumptions, the following staffing contingency is needed:
 - o .5 FTE State Program Administrator Senior would be needed to support program grants administration for three years
 - o 1 FTE SPA Principal would be needed for planning, contracting and other program administration duties for three years
 - o \$100,000 for contracted direct outreach services
 - o \$1,000,000 to contract for vehicle rebate fulfillment vendor services. The vehicle rebate fulfillment vendor services is based on past experience administering a similar program established through the American Reinvestment and Recovery Act (ARRA).

Section 7

- The Department assumes it will receive a total appropriation of \$4 million in fiscal year 2024. \$2 million from the general fund for dealerships outside of Xcel territory and \$2 million from the renewable development account for dealerships located within Xcel territory.
- The Department assumes it will be required to coordinate with EV manufacturers, dealers, training providers, and other stakeholders in the development of program criteria and a list of eligible vehicles, training, and equipment for awarding grants.
- The Department assumes it would coordinate with the Department of Public Safety, both agencies having management responsibilities for the program.
- With a grant limit of \$40,000 per dealership the Department assumes up to 150 grants may be awarded to auto dealers. (\$4 million appropriation up to 5% administrative costs (recognizing that is less than 4%/year for three years)=\$3.86 million/\$40,000=96 grants at the max amount.) The Department assumes that not all dealers will need to purchase equipment for service and will only need to obtain certification so it would be reasonable to assume 150 -200 grant awards.
- The Department assumes there will be a requirement through 2026 for:

- o .25 FTE. State Program Administrator to support program planning, eligibility review, project management and outreach for three years.
- o .50 for FTE grants specialist senior (10L) for contracting 150 grants and other program administration duties for three years.

Expenditure and/or Revenue Formula

Section 5

0.5 FTE at a PURA 3 level permanent

			FY24	FY25	FY26
Salary			46,333	46,333	46,333
Fringe			13,900	13,900	13,900
Other Personnel Related Costs			16,720	16,720	16,720
			76,952	76,952	76,952

Section 6

1 FTE at a SPA Principal level (until 2027) TUNC

.5 FTE at a SPA Sr. level (until 2027) TUNC

			FY24	FY25	FY26
Salary			127,744	127,744	127,744
Fringe			38,323	38,323	38,323
Other Personnel Related Costs			48,609	48,609	48,609
			214,676	214,676	214,676

\$100,000 for contracted direct outreach services

\$1,000,000 to contract for vehicle rebate fulfillment vendor services

Section 7

.25 FTE at a SPA Sr. level (until 2027) TUNC

.5 FTE at a Grants Specialist Senior (until 2027) TUNC

			FY24	FY25	FY26
Salary			57,974	57,974	57,974
Fringe			17,392	17,392	17,392
Other Personnel Related Costs			23,492	23,492	23,492
			98,857	98,857	98,857

Renewable Development Account					
Section	Description	FY24	FY25	FY26	FY27
Sec. 6	1.5 FTE to administer Electric Vehicle Rebates	\$ 107,338	\$ 107,338	\$ 107,338	
Sec. 6	Contract for outreach services	\$ 50,000			
Sec. 6	Vehicle rebate fulfillment vendor services	\$ 500,000			
Sec. 6	Electric vehicle rebates	\$ 50,000	\$ 4,538,993	\$ 4,538,993	
Sec. 7	.75 FTE to administer Auto Dealer Grants	\$ 49,429	\$ 49,429	\$ 49,429	
Sec. 7	Grants to auto dealers	\$ 50,000	\$ 900,858	\$ 900,858	
	TOTAL	\$ 806,767	\$ 5,596,617	\$ 5,596,617	\$ -

General Fund					
Section	Description	FY24	FY25	FY26	FY27
Sec. 5	.5 FTE for Electric Vehicle Deployment Program (EVDP)	\$ 76,952	\$ 76,952	\$ 76,952	\$ 76,952
Sec. 5	Charge back of costs to utilities for EVDP	\$ (76,952)	\$ (76,952)	\$ (76,952)	\$ (76,952)
Sec. 6	1.5 FTE to administer Electric Vehicle Rebates	\$ 107,338	\$ 107,338	\$ 107,338	
Sec. 6	Contract for outreach services	\$ 50,000			
Sec. 6	Vehicle rebate fulfillment vendor services	\$ 500,000			
Sec. 6	Electric vehicle rebates	\$ 50,000	\$ 4,538,993	\$ 4,538,993	
Sec. 7	.75 FTE to administer Auto Dealer Grants	\$ 49,429	\$ 49,429	\$ 49,429	
Sec. 7	Grants to auto dealers	\$ 50,000	\$ 900,858	\$ 900,858	
	TOTAL	\$ 806,767	\$ 5,596,617	\$ 5,596,617	\$ -

Long-Term Fiscal Considerations

Section 5

0.5 FTE at a PURA 3 level

Local Fiscal Impact

Unknown

References/Sources

Agency Contact:

Agency Fiscal Note Coordinator Signature: Amy Trumper

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HF413 - 1A - State Fleet Electric Vehicle Purchase Preference

Chief Author: **Zack Stephenson**
 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	4
Total	-	7	5	4	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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HF413 - 1A - State Fleet Electric Vehicle Purchase Preference

Chief Author: **Zack Stephenson**
 Committee: **Commerce Finance And Policy**
 Date Completed: **2/28/2023 7:55:12 AM**
 Agency: **Natural Resources 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
Other Misc. Special Revenue	-	8	8	8	8	8
Total	-	8	8	8	8	8
Biennial Total			16			16

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Other Misc. Special Revenue	-	.06	.06	.06	.06
Total	-	.06	.06	.06	.06

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: Jim Carlson **Date:** 2/7/2023 2:57:38 PM
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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	
Other Misc. Special Revenue	-	8	8	8	8	8
Total	-	8	8	8	8	8
	Biennial Total		16			16
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Other Misc. Special Revenue	-	8	8	8	8	8
Total	-	8	8	8	8	8
	Biennial Total		16			16
2 - Revenues, Transfers In*						
Other Misc. Special Revenue	-	-	-	-	-	-
Total	-	-	-	-	-	-
	Biennial Total		-			-

Bill Description

This bill amends several statutes to create multiple policies that support and accelerate the adoption of electric vehicles in Minnesota.

Assumptions

Section 2 is applicable to the DNR.

The Department of Natural Resources (DNR) Fleet program currently purchases electric vehicles (EVs) whenever internal customers such as DNR program or administrative staff identify that a full electric vehicle will fit their program needs. In addition to customer preference, our previously conducted internal analyses suggest that the higher costs of purchasing an EV is largely offset by reduced fuel and maintenance costs over the life of the vehicle. For all other vehicle purchases up to 1-Ton trucks, the DNR purchases Category-1 vehicles whenever possible emphasizing hybrid or alternative fueled options like the preferences laid out in Sec. 2, Subd. 3. For these reasons, it is likely that this legislation would have no impact on costs of purchasing fleet vehicles due to the agency's current fleet management practices. While the DNR prioritizes electric vehicles when possible, the current selection of EVs available for purchase does not cover all the needs of the various programs and locations at the DNR. This limitation is likely to be less impactful as more EVs with improved capabilities like better range, faster charging capacity, larger payload limits, etc, become available. The DNR replaces road vehicles on a regular schedule, and although we have a small number of EVs now, we expect to be able to utilize more EVs each year. Off-road vehicles will be considered similarly on a case-by-case basis and electric off-road vehicles will be purchased where program needs allow.

The number and location of EV charging stations is another factor that prevents the DNR from implementing wide-scale implementation of fleet EVs. There are situations where an EV would be the preferred vehicle but the lack of charging infrastructure either at the base location or work destination prevents an EV from being feasible. The DNR's fleet of road vehicles is around 1,600, and at an estimated price of \$10,000 each for charging stations, the cost of fully utilizing EV fleet vehicles could be up to \$16 million. This cost would be incurred over time but an annual investment of \$100,000 could fund approximately 10 charging stations per year. Based on our current vehicle replacement process, we assume that every year ten additional vehicles could be replaced with EVs if we had charging stations.

Expenditure and/or Revenue Formula

We estimate 130 hours of staff time for additional research and communications on implementation each year.

$130\text{hr} / 2080 = 0.0625 \text{ FTE}$

$0.0625 \text{ FTE} \times \$134\text{K avg salary} = \$8,375$

Long-Term Fiscal Considerations

Resale value of DNR electric vehicles at the end of their lifecycle are currently unknown. Low resale/salvage value would need to be countered by increasing monthly fleet rates passed on to customers.

Local Fiscal Impact

none

References/Sources

Aaron Cisewski, Fleet and Materials Manager

Department of Natural Resources

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HF413 - 1A - State Fleet Electric Vehicle Purchase Preference

Chief Author: **Zack Stephenson**
 Committee: **Commerce Finance And Policy**
 Date Completed: **2/28/2023 7:55:12 AM**
 Agency: **Public Safety 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
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium		
		FY2023	FY2024	FY2025	FY2026	FY2027
Total	-	-	-	-	-	-

LBO Analyst's Comment

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

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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
	Total	-	-	-	-	-
	Biennial Total			-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
	Total	-	-	-	-	-
	Biennial Total			-		-
2 - Revenues, Transfers In*						
	Total	-	-	-	-	-
	Biennial Total			-		-

Bill Description

Relating to electric vehicles; establishing preference for purchase 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.

Assumptions

Assume a dealer of new motor vehicles licensed under an agreement or franchise from a manufacturer and sells electric vehicles must maintain at least one employee who has completed a training course and is certified on the fundamentals of electric vehicles including best practices offered by the Minnesota Automotive Dealers Association (MADA) or similar organization.

Assume that certification training required to sell electric vehicles will occur through MADA.

Assume Vehicle Services dealer auditors understand the training and certifications issued to dealerships to sell electric vehicles and can provide confirmation that the required certifications are retained by the dealer as required during dealership inspections.

Assume there will be no fiscal impact to DVS and MNDRIIVE programming will not be required.

Assume the proposed legislation has no fiscal impact on Support Services as it relates to rebates and grants for electric vehicles, which will be handled by the Commissioner of Commerce.

Expenditure and/or Revenue Formula

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

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HF413 - 1A - State Fleet Electric Vehicle Purchase Preference

Chief Author: **Zack Stephenson**
 Committee: **Commerce Finance And Policy**
 Date Completed: **2/28/2023 7:55:12 AM**
 Agency: **Public Utilities Commission**

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
General Fund	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	.5	.5	.5	.5
Total	-	.5	.5	.5	.5

LBO Analyst's Comment

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

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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	
General Fund	-	-	-	-	-	-
Total	-	-	-	-	-	-
Biennial Total			-			-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	64	64	64	64	64
Total	-	64	64	64	64	64
Biennial Total			128			128
2 - Revenues, Transfers In*						
General Fund	-	64	64	64	64	64
Total	-	64	64	64	64	64
Biennial Total			128			128

Bill Description

This bill makes various changes related to electric vehicles (EVs), including EV preference for state fleet vehicles, requirements for motor vehicle dealers, public utility transportation electrification plans, and various funding mechanisms for EV-related programs.

Section 1 establishes a fee for charging a privately owned EV at a charging station within the Capitol area.

Sections 2 and 3 establish a preference for EVs for state fleet vehicle purchases.

Section 4 establishes EV training requirements for motor vehicle dealers.

Section 5 creates a new “electric vehicle deployment program” in Minn. Stat. chapter 216B. This program would be implemented and overseen by the Public Utilities Commission (PUC).

Subdivision 1 creates definitions for various terms related to the program.

Subdivision 2 requires public utilities to file transportation electrification plans with the PUC every three years, which must be designed to maximize the benefits of EVs while minimizing overall costs, and promote the purchase of EVs and deployment of EV infrastructure in the utility’s service territory. The subdivision lists various elements that may be included in a transportation electrification plan, including utility programs and investments related to EV deployment, additional rate structures to encourage EV charging, and proposals to expedite the PUC’s consideration of EV-related program adjustments.

Subdivision 3 provides factors the PUC must consider when deciding whether to approve, modify, or reject a transportation electrification plan.

Subdivision 4 states that the PUC may approve various types of cost recovery for EV-related investments and expenses, including riders, performance-based incentives, rate base, or other recovery mechanisms. This subdivision also requires the PUC to allow cost recovery of advertising expenses, which was previously disallowed under section 216B.16.

Section 6 establishes an EV rebate program to be administered by the Department of Commerce.

Section 7 establishes a grant program for motor vehicle dealers to fund EV-related training, to be administered by the Department of Commerce.

Section 8 appropriates funds for the rebates and grants in sections 6 and 7.

Section 9 repeals Minn. Stat. section 16B.24, subd. 13, relating to EV charging on the State Capitol complex.

Assumptions

Section 5 is the portion of the bill that primarily affects the Public Utilities Commission (PUC). For background and context, the PUC initiated an inquiry in December 2017 to examine potential benefits and electric system impacts related to increasing EV adoption in Minnesota. On February 1, 2019, the PUC issued an order in Docket No. E-999/CI-17-879 finding, among other things, that transportation electrification is in the public interest. The PUC also directed the three investor-owned electric utilities (Minnesota Power, Otter Tail Power, and Xcel Energy) to file transportation electrification plans and EV-related proposals.

In subsequent orders, the PUC directed the utilities to file transportation electrification plans every two years as part of their Integrated Distribution Plans. Consequently, the three public utilities named above have been filing transportation electrification plans biennially since 2019.

On August 2, 2022, Xcel Energy requested PUC approval of various EV-related investments, in PUC Docket No. E-002/M/22-432. The PUC referred the matter to OAH for contested case proceedings, which are currently ongoing with an ALJ report expected by July 1, 2023. If this bill passes, it is unclear what the impact would be on the contested case proceeding.

The language in this bill overlaps somewhat with the existing transportation electrification plan requirements contained in PUC orders. The PUC would need to determine how existing requirements interact with the new language in section 5, subdivisions 2 and 3.

Section 5, subdivision 4, provides that utilities may request various types of cost recovery for EV-related investments and expenses. The PUC anticipates that this would result in a significant number of additional filings on complex financial issues, requiring significant staff time both for the initial analysis and to track compliance and regularly true up financial statements. The bill provides for review of cost recovery options such as performance-based incentives, which have been used in previous PUC dockets and require extensive stakeholder process to establish the incentives as well as regular reporting to determine compliance. PUC staff will also need to work with stakeholders and utilities to determine guidelines and standards for reviewing the different types of potential cost recovery. Over the past 10 years, the PUC has approved 25 different EV pilots or programs, with an increasing number of requests being filed in more recent years. We anticipate that with additional recent emphasis on carbon-free energy and transportation electrification, the number of EV-related filings will continue to increase.

The PUC anticipates that it will need the equivalent of .5 FTE at the Rates or Financial Analyst 3 level to handle the work associated with this bill, including developing criteria for cost recovery options, contested cases on cost recovery, and processing the additional ongoing financial filings expected to result from this language. Although the PUC already handles transportation electrification plan filings and there would likely not be significant additional work in reviewing the substance of the transportation electrification plans, we anticipate that there would be significant work related to the additional cost recovery options and financial issues contemplated by this bill.

Current bill language does not appropriate funds to the Commission. If additional funds are appropriated, they would be recovered from the rate-regulated utilities and credited back to the general fund.

Expenditure and/or Revenue Formula

Ongoing annually, starting FY24:

	FY24	FY25	FY26	FY27
Rates or Financial Analyst 3	\$41,489	\$41,489	\$41,489	\$41,489
Fringe	\$12,447	\$12,447	\$12,447	\$12,447
Other Personnel Related Costs	\$10,103	\$10,103	\$10,103	\$10,103
TOTAL Cost	\$64,039	\$64,039	\$64,039	\$64,039

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

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HF413 - 1A - State Fleet Electric Vehicle Purchase Preference

Chief Author: **Zack Stephenson**
 Committee: **Commerce Finance And Policy**
 Date Completed: **2/28/2023 7:55:12 AM**
 Agency: **Transportation 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
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Total	-	-	-	-	-

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: Laura Cecko **Date:** 2/8/2023 7:43:33 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	
Total	-	-	-	-	-	-
Biennial Total			-			-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total	-	-	-	-	-	-
Biennial Total			-			-
2 - Revenues, Transfers In*						
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

The bill contains several sections related to electric vehicle (EV) policies and programs. The bill proposes amendments to sections 1 through 4 and adds sections 5 through 9. The bill requires state agencies to prioritize purchasing vehicles in the following order:

- EV
- Hybrid EV
- Vehicle powered by cleaner fuels
- Gasoline or diesel fuel vehicle

A preferred vehicle type can be rejected if it is not capable of serving the intended purpose or if the cost of ownership is more than ten percent higher than the next preferred vehicle type.

The bill also requires qualifying vehicle dealers to maintain a staff person who has completed a Minnesota motor vehicle dealership association training course relating to EVs, as outlined. Section 5 adds definitions and requires that public utilities file a transportation electrification plan in accordance with provided guidelines every three years for review and implementation. Section 6 provides definitions and guidelines related to EV rebates. Section 7 outlines a grant program for dealers selling EVs. Section 8 details appropriation information, and section 9 repeals the electric service fee for users of a charging station located at the State Capitol, as the bill describes that such a law will only apply to private vehicle owners going forward.

Assumptions

MnDOT procurement staff currently use a light duty fleet selection tool to make purchasing decisions in line with section 2 of this bill, which has increased the number of electric and hybrid vehicles. Therefore, we assume no additional costs will be needed. However, the Department of Administration includes in its fiscal note:

“Preferred options for about ninety percent 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.”

Furthermore, additional charging infrastructure is needed before these types of vehicles are practical in certain areas of the state.

Expenditure and/or Revenue Formula

None

Long-Term Fiscal Considerations

As technology advances and more electric vehicles become available on the market, MnDOT is likely to purchase more preferred vehicles.

Local Fiscal Impact

None

References/Sources

MnDOT Office of Sustainability and Public Health

MnDOT Office of Maintenance

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