Note: In accordance with changes made by Public Act 16-32, the Fiscal Note no longer contains information regarding the impact of the proposed regulation on small businesses. Each agency must separately complete the revised Regulatory Flexibility Analysis (formerly Small Business Impact Statement) as published by the Office of Policy & Management.

FISCAL NOTE

Date: September 25, 2023

Agency Submitting Proposed Regulation: Energy and Environmental Protection (DEEP)

Proposed Regulation Title: Proposed Adoption of the Low Emission Vehicle IV and Zero Emission Vehicle Regulations for 2025 through 2035.

Statutory Authority: 22a-174g

Other Agencies Affected: None

Effective Date Used In Estimate: January 1, 2027

Estimate Prepared By: Paul Kritzler

Telephone No.: 860-424-3889

ESTIMATE OF COST OR REVENUE IMPACT OF PROPOSED REGULATION

Agency: DEEP

Fund Affected: None

	First Year 2027	Second Year 2028	Full Operation
Number of Positions	0	0	0
Personal Services[1]	0	0	0
Other Expenses[2]	0	0	0
Equipment[3]	0	0	0
Grants	0	0	0
Total State Cost or (Savings)	$0.07 M	$0.11 M	-$11.34 M
Estimated Revenue Gain or (Loss)	$5.78 M	$6.99 M	-$96.45 M
Total Net State Cost or (Savings)	$5.71 M	$6.88 M	-$85.11 M

[1] Actual, direct personal services on a state payroll. Examples of items covered include regular salaries, overtime, payments for vacation and sick leave, longevity, and shift differential.
[2] Operating expenses as well as miscellaneous purposes not included in some other appropriate category. Items included are contractual services, commodities (supplies) and sundry charges.
[3] Items included are office equipment, motor vehicles, general plant equipment, education, medical, telecommunications and data processing.

Explanation of State Impact of Regulation:

The fiscal impact, revenues minus costs, to state government is estimated to be an increase of $12.59 million over the first two years of the regulation and a cumulative decrease of $85.11 million over the regulatory horizon. State government is assumed to incur an incremental cost from the purchase and operation of new vehicles while also realizing operational savings from the use of ZEVs. State government would generate additional revenue from a variety of state taxes and vehicle registration fees that are collected. Increased revenue is expected from sales taxes for increased vehicle sales, vehicle registration and license fees for new zero-emission vehicles, and energy resources fees from increased electricity use. Conversely, displacing gasoline fuel with electricity will decrease the amount of gasoline dispensed in the State, resulting in decreased excise tax revenue. The CARB Initial Statement of Reasons, a regulatory document, modeled the expected decrease in revenue can be seen in Table 1 below.[1] There are a number of factors that would lead to a reduced impact in Connecticut. First, California's gasoline tax is 53 cents per gallon, whereas Connecticut's tax is only 25 cents per gallon.[2] Given the tax level, the expected impact in Connecticut would be cut in half. Additionally, Connecticut's fleet is significantly smaller than California's, being 1/10th the size of the California fleet, so estimates of total impact would be further mitigated given the decreased amount of fuel purchased. Taken together, these factors suggest the impact in Connecticut could be as low as 5% of the total yearly impact in California. Finally, the rate of decrease in gas tax would be expected to be significantly less as California has already seen significantly more uptake of electric vehicles, where new vehicle sales are 23-25% electric in the last quarter, compared to Connecticut which was 8%.

Table 1. State Portion of Excise Tax Revenue (Million 2020$)

	California	Connecticut (5%)
2027	-$105.5	-$5.3
2028	-$194.0	-$9.7
2029	-$302.7	-$15.1
2030	-$436.7	-$21.8
2031	-$590.4	-$29.5
2032	-$758.4	-$37.9
2033	-$941.0	-$47.1
2034	-$1,137.8	-$56.9
2035	-$1,346.1	-$67.3
2036	-$1,547.1	-$77.4
2037	-$1,741.0	-$87.1
2038	-$1,902.3	-$95.1
2039	-$2,041.5	-$102.1
2040	-$2,159.7	-$108.0
TOTAL	-$15,244.8	-$762.2

Theses revenues, particularly those from state gasoline taxes and registration fees, are used to fund transportation projects across the state including road maintenance, construction of state highways and local streets, transit facilities and operation, and active transportation projects. Increases or decreases in these revenue sources will impact funds available for projects at State, county, and local levels for use on road and transportation infrastructure improvements.

[1] ACC II FSOR Appendix F - Updated Analysis (ca.gov)
[2] fueltaxes.xlsx (live.com)

By increasing the number of ZEVs and reducing the emissions of non-ZEVs sold in Connecticut, this regulation is estimated to decrease emissions of criteria pollutants and GHGs. DEEP worked with the Northeast States for Coordinated Air Use Management (NESCAUM) to use the Environmental Protection Agency's (EPA) MOVES and COBRA modeling systems to develop a cost-benefit analysis. NESCAUM first used the MOVES model to model emission benefits of adopting the rule (Table 2).

Table 2: Cumulative ACC II Emissions Benefits Compared to the Business-as-Usual Scenario, 2025-2040 (Model Year 2027 implementation)

	NO_x	$PM_{2.5}$	WTW CO_2e
By 2030	460 US tons	31 US tons	3.6 million metric tons
By 2035	1,873 US tons	143 US tons	16.7 million metric tons
By 2040	4,341 US tons	324 US tons	39.5 million metric tons

The COBRA was then used to model estimated health benefits. The emissions reductions are used in the COBRA model to evaluate health outcomes and estimate health care avoidance costs. These health benefits would additionally be passed on to the state in the form of decreased sick time of employees and healthcare costs.

Table 3: Annual COBRA-estimated economic values of Connecticut adopting ACC II, in millions of US dollars

Analysis Year	Total NO_x Reduction (TPY)*	Total $PM_{2.5}$ Reduction (TPY)*	In-State Benefit**	Out-Of-State Benefit**	In-State Burden***	Out-Of-State Burden***	Net Benefit****
2040	580	39	160.0	112.7	0	0	272.7

* Emissions reduction in tons per year
** The benefit of reduced on-road emissions
*** The burden of increased electric generation emissions
**** The sum of in-state and out-of-state benefits and burdens

Administratively, the Proposed regulation would have no significant impact on State staffing resources and there will be no increase in costs to the state. The Proposed Regulation is not expected to require more positions; The Department will implement the proposal with existing staff and other resources.

Explanation of Municipal Impact of Regulation:

The Proposed Regulation will impact local government expenditures through the purchase and operation of new vehicles and will impact revenues generated from a variety of local taxes that are collected.

It is assumed that the direct costs imposed on OEMs would be passed on through higher vehicle prices to end-users in Connecticut which would include municipal purchasers, which could increase prices for the purchases

of vehicles in the state. However, cost evaluations for vehicles are generally determined using the "total cost of ownership" (TCO) which factors in other costs or savings such as maintenance and fuel. Costs include the costs impacts of installing an electrical receptable for electric vehicles supply equipment (EVSE) for purchasers of vehicles, fuel costs, difference in maintenance costs, registration costs, and insurance costs over a ten-year period.. An analysis of the TCO for individual vehicle owners conducted by the California Air Resources Board concludes that operational savings will offset and incremental costs of the initial electric vehicle purchase. For example, a passenger car battery electric vehicle (BEV) with a 300-mile range will have initial annual savings occur in the first year for the 2026 model year technology. For the 2035 model year technology, the initial savings are nearly immediate and cumulative savings over ten years exceed $7,500.[2]

Increased revenue is would be expected from local property tax given the higher costs of vehicles. Displacing gasoline fuel with electricity will decrease the amount of gasoline dispensed in the State, resulting in a reduction of tax revenue collected by local governments. Theses revenues, particularly those from state gasoline taxes and registration fees, are used to fund transportation projects across the state including road maintenance, construction of state highways and local streets, transit facilities and operation, and active transportation projects.