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## FISCAL IMPACT REPORT

<b>SPONSOR</b> <u>Soules</u>	<b>LAST UPDATED</b> <u>2/10/2023</u>
<b>SHORT TITLE</b> <u>State Purchase of Electric Vehicles</u>	<b>ORIGINAL DATE</b> <u>1/21/2023</u>
	<b>BILL NUMBER</b> <u>Senate Bill 30/aSTBTC</u>
	<b>ANALYST</b> <u>Hanika-Ortiz</u>

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT\* (dollars in thousands)

	FY23	FY24	FY25	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>GSD</b>	No fiscal impact	\$3,028.0	\$3,028.0	\$6,056.0	Recurring	General Fund
<b>NMDOT</b>	No fiscal impact	\$2,400.0	\$2,400.0	\$4,800.0	Recurring	State Road Fund/NMDOT operating funds

Parentheses ( ) indicate expenditure decreases.  
\*Amounts reflect most recent version of this legislation.

Relates to appropriations in the General Appropriation Act

### Sources of Information

LFC Files

#### Responses Received From

New Mexico Department of Transportation (NMDOT)  
 General Services Department (GSD)  
 Department of Public Safety (DPS)  
 New Mexico Department of Agriculture (NMDA)  
 Energy, Minerals and Natural Resources Department (EMNRD)

## SUMMARY

### Synopsis of STBTC Amendment to Senate Bill 30

The Senate Tax, Business and Transportation Committee Amendment to Senate Bill 30 (SB30/aSTBTC) clarifies the vehicles subject to the EV requirements are “light duty vehicles that are rated less than 8,500 pounds unloaded base weight and are classified as” state vehicles.

SB30/aSTBTC attempts to clarify the intent of the legislation which is to limit replacement of state vehicles to those light duty vehicles that have electric vehicle (EV) equivalents.

## SIGNIFICANT ISSUES

### Synopsis of Original Senate Bill 30

Senate Bill 30 (SB30) amends Section 15-8-7 NMSA 1978 by requiring GSD to purchase electric vehicles (EV) in a manner in which at least 75 percent of classified state vehicles would be EVs by January 1, 2030. The bill defines an EV as a motor vehicle or plug-in hybrid EV with a battery that has a capacity of at least four kilowatt-hours and is recharged from an external source.

This bill does not contain an effective date, and as a result, would go into effect June 16, 2023, (90 days after the Legislature adjourns) if signed.

## FISCAL IMPLICATIONS

GSD reports 75 percent of the fleet equates to 1,434 vehicles. Of that total, the Transportation Services Division (TSD) leases 800 third-party vehicles paid for with annual user fees of \$3.4 million, assessed to agencies. Should the bill pass, TSD would require vendors to replace those leased vehicles with EVs. The cost to replace the remaining state-owned vehicles with EVs by 2030 would be \$31.7 million, using \$50 thousand as a base EV cost. TSD expects its vehicle replacement fee assessment for using state-owned vehicles to contribute \$1.5 million annually. This would leave a balance of \$21.2 million, which would require annual appropriations of approximately \$3 million over the next seven years.

As new vehicles are purchased, TSD anticipates fully funding a vehicle replacement fund with user fees for vehicle replacement in advance of the need, no longer requiring legislative appropriations. In years when the state was under fiscal constraints, TSD has reduced user fees built into agency operating budgets to reduce the cost of using state vehicles for agencies. In addition, legislative appropriations in lean years weren't available to cover a replacement cycle.

According to GSD's "report card," agencies underutilize vehicles, with less than half of leased vehicles used daily or at least 750 miles per month. Although the state expects vehicle use to increase as operations return to normal, teleworking may permanently alter those operations.

GSD's state motor pool fund has a \$4.7 million balance, with \$1.3 million of that reserved to replace state vehicles from prior legislative appropriations. The LFC recommendation for GSD for FY24 includes an additional \$1 million to renew/replace state vehicles, consisting of \$600 thousand from the state transportation pool fund and \$400 thousand from the general fund.

NMDOT purchases its own vehicles separate and apart from TSD's state vehicle fleet. NMDOT is concerned the required rulemaking in the bill for GSD poses budget risks for its operations:

GSD could revise 1.5.3 NMAC, Administration and Use of State Vehicles, to obligate the NMDOT, along with those other similarly situated state agencies, the responsibility to purchase their own replacement fleet of EVs. Doing so would be consistent with the Alternative Fuel Acquisition Act. See subsection A of Section 13-1B-3 NMSA 1978:

*Seventy-five percent of light duty vehicles acquired in fiscal year 2003 and each fiscal year thereafter by the agencies and departments of state government and educational institutions shall be vehicles that:*

- (1) *meet or exceed the corporate average fuel economy standards for vehicles issued by the national highway transportation safety administration of the United States department of transportation;*
- (2) *are hybrid vehicles;*
- (3) *are capable of operating on alternative fuel with either bi-fuel capability or dedicated engine configurations; or*
- (4) *are plug-in electric vehicles.*

Based on this likelihood, NMDOT commented that the bill offers some clarification as to which NMDOT-owned state vehicles are impacted. Namely, it correlates the unloaded base weight of affected gasoline-fueled state vehicles by the maximum base weight of EV replacements. See 1.5.3 NMAC, which defines a state vehicle as:

*an automobile, van, sport-utility truck, pickup truck or other vehicle with a declared gross vehicle weight of less than ten thousand (10,000) pounds used by a state agency to transport passengers or property....*

NMDOT reports it presently has 6,900 vehicles in its fleet. Of these, 1,088 are “state vehicles” pursuant to 1.5.3 NMAC. Currently, only NMDOT’s sedans, SUVs, and light pick-ups have an EV equivalent. The 39 vans would be absorbed in the 25 percent non-replacement portion until EV equivalents became available. NMDOT’s 117 heavy pick-ups would be unaffected.

To reach the 75 percent target, NMDOT would be required to replace 729 of its gasoline-fueled light duty state vehicles. While over the past 3 fiscal years, NMDOT notes it replaced on average 90 vehicles annually, the bill could result in this number rising to 104 vehicles annually. To comply with the bill, NMDOT would reallocate budget from the state road and operating funds (as reflected in the budget impact table), and possibly at the expense of other operational needs.

## **SIGNIFICANT ISSUES**

Agencies expect their funding requests for vehicle purchases to increase under SB30 and note meeting the 75 percent EV requirement would result in a replacement schedule which is more rapid than the current schedule for vehicles. If funded and managed properly, however, EMNRD commented that a state government-wide conversion of fleet vehicles from gas-powered to electric-powered would be beneficial in many ways as well as help the State achieve federal obligations under the Alternative Fuels Act. Nevertheless, agencies with fleets have been unable to source EVs from NM dealers under the statewide price agreement due to low inventory.

Section 15-8-7 NMSA 1978 gives TSD authority to approve purchases of state vehicles, even those not assigned to the motor pool, and subject to legislative appropriations, requires TSD to determine type and number of state vehicles purchased each year. The bill would require TSD to amend its vehicle replacement plan to ensure at least 75 percent of classified state vehicles are EVs after 2030.

The bill would not only require annual appropriations to purchase EVs until 75 percent or more of state vehicles are EVs, but also for the building of electric charging stations throughout the state. TSD reports the cost of charging stations are about \$20 thousand per site for a level 3 fast charging unit. Savings over time would be realized, however, in the reduction of maintenance costs associated with operating EVs and less greenhouse gas emissions, TSD notes. Per the EPA fuel economy website EV’s are rated at 118 mpg (Chevy Bolt) and 113 mpg (Nissan Leaf).

According to the U.S. Environmental Protection Agency, the average gasoline vehicle has a fuel economy of about 22 mpg and emits about 4.6 metric tons of carbon dioxide per year. A vehicle that operates exclusively on electricity will not emit any tailpipe emissions. Vehicle emissions contribute to ambient levels of air toxins that are known or suspected as human carcinogens.

## **PERFORMANCE IMPLICATIONS**

SB30 will require GSD to establish rules by December 31, 2023.

## **TECHNICAL ISSUES**

If it is not the intention of SB30 to apply to other agencies with fleets, such as DPS and NMDOT, language could be added to clarify which agencies are subject to provisions of SB30.

DPS requested a law enforcement exemption in the original bill. If there are not EVs available by 2030 that meet law enforcement requirements, DPS would like to be able to purchase vehicles that meet the public's need for safety. DPS also has 33 office/district buildings across the state. Significant infrastructure would be required to accommodate the charging of the DPS fleet.

## **OTHER SUBSTANTIVE ISSUES**

NMDOT reports 42 communities across rural New Mexico will be receiving direct current fast charging stations using \$10 million in American Rescue Plan Act (ARPA) funds. Over the next five years, NMDOT also expects to receive \$38 million from the federal National Electric Vehicle Infrastructure (NEVI) Formula Program, for interstate highway locations. Once the interstates are built out, the State may use the NEVI Formula Program for EV charging infrastructure on any public road, or in other publicly accessible locations that are open to the general public, to fill in the gaps of charging accessibility for both public and fleet vehicles.

DPS noted it is unaware if technology is far enough along to power equipment placed in modern police cars and still maintain a battery range for driving. This is further compounded by the fact that at times vehicles are left idling for hours when on scene of a major crime or crash. Statewide jurisdiction at times causes officers to respond to very remote areas that lack any infrastructure at all. Lastly, officers take home vehicles to be able to respond to emergencies.

## **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

Subject to legislative appropriations and the Procurement Code, TSD will continue to determine the type and number of state vehicles purchased each year and how they shall be equipped. NMDOT will continue to replace its vehicles as needed with vehicles of equivalent value and/or service potential, and in conformity with the Alternative Fuel Acquisition Act. This includes, where applicable, the addition of EVs, to replace fleet vehicles that have an EV counterpart.