

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/CS/HB 285 Natural Gas Rebate Program

SPONSOR(S): Regulatory Affairs Committee; Business & Professions Subcommittee; Ray

TIED BILLS: None. **IDEN./SIM. BILLS:** CS/SB 90

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Business & Professions Subcommittee	13 Y, 0 N, As CS	Whittier	Anstead
2) Agriculture & Natural Resources Appropriations Subcommittee	13 Y, 0 N	Lolley	Massengale
3) Regulatory Affairs Committee	12 Y, 1 N, As CS	Whittier	Hamon

SUMMARY ANALYSIS

In 2013, the Legislature created the Natural Gas Fuel Fleet Vehicle Rebate Program (program) within the Department of Agriculture and Consumer Services (DACS) to “help reduce transportation costs in this state and encourage freight mobility investments that contribute to the economic growth of the state.”

Chapter 2013-198, Laws of Florida, directs the Legislature to appropriate \$6 million each fiscal year, beginning in the 2013-2014 fiscal year, and each year thereafter, through the 2017-2018 fiscal year from the General Revenue Fund (GR) to DACS to award rebates for the following eligible costs:

- The conversion or retrofitting of a diesel- or gasoline-powered motor vehicle to a natural gas fuel-powered motor vehicle or
- The purchase or lease of a natural gas fuel fleet motor vehicle.

Specifically, DACS must award rebates for up to 50 percent of the eligible costs of a natural gas fuel fleet vehicle or bi-fuel natural gas fuel operating system placed into service on or after July 1, 2013. An applicant is eligible to receive a maximum rebate of \$25,000 per vehicle up to a total of \$250,000 per applicant per fiscal year, on a first-come, first-served basis. Unexpended funds return to GR at the end of each fiscal year.

DACS reports the following approximate unexpended balances by fiscal year since the program’s inception:

- 2013-2014: \$2,128,397,
- 2014-2015: \$769,348, and
- 2015-2016: \$2,206,006 (as of February 3, 2016).

The bill allows any unexpended funds remaining for the fiscal year to be used by DACS to award additional rebates of \$25,000 for each vehicle that has not received a rebate under the program, up to an additional \$250,000 per applicant from June 1 through June 30. Government applicants are to receive preference on a first-come, first-served basis and remaining funds will be available to eligible commercial applicants on a first-come, first-served basis.

The provisions of the bill should lower the amount of any unexpended balance, if any, in the 2016-2017 and 2017-2018 fiscal years.

The bill provides an effective date of July 1, 2016.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Present Situation

Natural Gas Fuel Fleet Vehicle Rebate Program

In 2013, the Legislature created the Natural Gas Fuel Fleet Vehicle Rebate Program (program) within the Department of Agriculture and Consumer Services (DACs), the purpose of which was to “help reduce transportation costs in this state and encourage freight mobility investments that contribute to the economic growth of the state.”¹

Section 377.810, F.S., provides the following pertinent definitions under the program:

- "Conversion costs" means the excess cost associated with retrofitting a diesel- or gasoline-powered motor vehicle to a natural gas fuel-powered motor vehicle.
- "Eligible costs" means the cost of conversion or the incremental cost incurred by an applicant in connection with an investment in the conversion, purchase, or lease lasting at least 5 years, of a natural gas fuel fleet vehicle placed into service on or after July 1, 2013. The term does not include costs for project development, fueling stations, or other fueling infrastructure.
- "Incremental costs" means the excess costs associated with the purchase or lease of a natural gas fuel fleet motor vehicle as compared to an equivalent diesel- or gasoline-powered motor vehicle.
- "Fleet vehicles" means three or more motor vehicles registered in this state and used for commercial business or governmental purposes.
- "Natural gas fuel" means any:
 - Liquefied petroleum gas product,
 - Compressed natural gas product, or
 - Combination thereof used in a motor vehicle as defined in s. 206.01(23), F.S.

The term includes, but is not limited to, all forms of fuel commonly or commercially known or sold as natural gasoline, butane gas, propane gas, or any other form of liquefied petroleum gas, compressed natural gas, or liquefied natural gas. This term does not include natural gas or liquefied petroleum placed in a separate tank of a motor vehicle for cooking, heating, water heating, or electric generation.²

The Legislature appropriated \$6 million beginning in the 2013-2014 fiscal year and each year thereafter through the 2017-2018 fiscal year from the General Revenue Fund to DACs to award rebates for the eligible costs of conversion or retrofitting of a diesel- or gasoline-powered motor vehicle to a natural gas fuel-powered motor vehicle or the incremental costs associated with the purchase or lease of a natural gas fuel fleet motor vehicle.³ Specifically, DACs must award rebates for up to 50 percent of the eligible costs of a natural gas fuel fleet vehicle or bi-fuel natural gas fuel operating system placed into service on or after July 1, 2013. An applicant is eligible to receive a maximum rebate of \$25,000 per vehicle up to a total of \$250,000 per applicant per fiscal year, on a first-come, first-served basis. Forty percent of the annual allocation must be reserved for governmental applicants and 60 percent for commercial applicants.⁴

¹ s. 377.810(1), F.S.

² s. 377.810(2), F.S.

³ Chapter 2013-198, Laws of Fla., provides that “[b]eginning in the 2013-2014 fiscal year and each year thereafter through the 2017-2018 fiscal year, the sum of \$6 million in recurring funds is appropriated in each fiscal year from the General Revenue Fund to the Department of Agriculture and Consumer Services for the purpose of funding the natural gas fuel fleet vehicle rebate program created by this act.”

⁴ s. 377.810(3) and (4)(b), F.S.

The law requires DACS to determine and publish on its website, on an ongoing basis, the amount of available funding for rebates remaining in each fiscal year⁵ and to provide an annual assessment of the use of the rebate program during the previous year to the Governor, the President of the Senate, the Speaker of the House of Representatives, and the Office of Program Policy Analysis and Government Accountability (OPPAGA) by October 1.⁶

The following chart⁷ depicts the natural gas fuel rebates that have been approved by DACS for the government and commercial sectors⁸ since the program's inception:

Natural Gas Fuel Fleet Vehicle Rebate Applicant Approvals

Fiscal Year 2015-2016*	Number of Approved Applicants	Approved Applications	Percent of Approved Applications	Approved Rebate Amounts	Percent of Approved Rebate Amounts
Commercial	24	142	55.5%	\$2,349,931.11	61.9%
Government	18	114	44.5%	\$1,444,062.50	38.1%
Total	42	256		\$3,793,993.61	
Fiscal Year 2014-2015	Number of Approved Applicants	Approved Applications	Percent of Approved Applications	Approved Rebate Amounts	Percent of Approved Rebate Amounts
Commercial	27	289	55.8%	\$3,242,015.57	62.0%
Government	21	229	44.2%	\$1,988,636.35	38.0%
Total	48	518		\$5,230,651.92	
Fiscal Year 2013-2014	Number of Approved Applicants	Approved Applications	Percent of Approved Applications	Approved Rebate Amounts	Percent of Approved Rebate Amounts
Commercial	19	183	67.3%	\$2,922,162	75.5%
Government	16	89	32.7%	\$949,441.34	24.5%
Total	35	272		\$3,871,603.34	

*The application period for Fiscal Year 2015-2016 is still open and closes on June 30, 2016.

In addition to the growth in approved applicants, the number of CNG fueling stations has more than doubled in the same time period. In 2013, Florida had approximately 32 CNG fueling stations;⁹ 61 in 2014;¹⁰ 67 in 2015;¹¹ and now there are approximately 74 CNG fueling stations in the state.¹²

⁵ s. 377.810(6), F.S.

⁶ s. 377.810(7), F.S.

⁷ Email from Kelley Burk, Director, Office of Energy within the Florida Department of Agriculture and Consumer Services, RE: Natural Gas Fuel Fleet Vehicle Rebate Applicant Approvals (Feb. 18, 2016).

⁸ See <http://www.freshfromflorida.com/Divisions-Offices/Energy/Natural-Gas-Fuel-Fleet-Vehicle-Rebate> for further information regarding rebate applicants.

⁹ Email from Dale Calhoun, Executive Director, Florida Natural Gas Association, RE: CNG Fueling Stations (Mar. 1, 2013).

¹⁰ Isabel Lane, *Florida's natural gas vehicle incentive program creates 200% growth in fueling stations*, BioFuels Digest, (Oct. 6, 2014), available at <http://www.biofuelsdigest.com/bdigest/2014/10/06/floridas-natural-gas-vehicle-incentive-program-creates-200-growth-in-fueling-stations/>.

¹¹ Email from Dale Calhoun, Executive Director, Florida Natural Gas Association, RE: CNG Fueling Stations (Oct. 29, 2015).

¹² Email from Dale Calhoun, Executive Director, Florida Natural Gas Association, RE: CNG Fueling Stations (Mar. 14, 2016).

Effect of Proposed Changes

The bill allows any unexpended funds each fiscal year to be used by DACS to award additional rebates of \$25,000 for each vehicle up to an additional \$250,000 per applicant. Between June 1 and June 30 of each fiscal year, eligible applicants may apply for additional funds for vehicles that have not already received a rebate.

The additional rebates will be awarded on a first-come, first-served basis, determined by the date the application is received by DACS. Governmental applicants have preference and the remaining unexpended funds may be used by commercial applicants until all of the appropriated funds for the fiscal year are expended.

B. SECTION DIRECTORY:

Section 1. Amends s. 377.810, F.S.; authorizing the Department of Agriculture and Consumer Services to award additional rebates under the Natural Gas Fuel Fleet Vehicle Rebate Program.

Section 2. Provides an effective date of July 1, 2016.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

2. Expenditures:

The bill allows the unexpended balance remaining in the program for the fiscal year to be used by DACS to award additional rebates of \$25,000 for each vehicle up to an additional \$250,000 per applicant.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

The bill authorizes eligible governmental applicants to have preference to receive unexpended funds for an additional maximum rebate of \$25,000 per vehicle up to a total of \$250,000 on a first-come, first-served basis.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The bill may result in increased savings for commercial entities using vehicles powered by natural gas fuel; an increase in conversions of vehicle fleets from being powered by traditional fuels to natural gas fuel; and an increase in natural gas fueling infrastructure across the state to meet the additional demand created by natural gas-powered vehicles.

D. FISCAL COMMENTS:

In accordance with Chapter 2013-198, Laws of Florida, the Legislature appropriated \$6 million beginning in the 2013-2014 fiscal year and each year thereafter through the 2017-2018 fiscal year from the General Revenue Fund to DACS to award the rebates. Currently, unexpended funds return to GR at the end of each fiscal year.

DACS reports the following unexpended balances by fiscal year since the inception of the program:

- 2013-2014: \$2,128,397,
- 2014-2015: \$769,348, and
- 2015-2016: \$2,206,006 (as of February 3, 2016).¹³

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not Applicable. This bill does not appear to require counties or municipalities to spend funds or take action requiring the expenditures of funds; reduce the authority that counties or municipalities have to raise revenues in the aggregate; or reduce the percentage of state tax shared with counties or municipalities.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

Current rulemaking authority for the program is provided in s. 377.810(5), F.S.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES

On October 21, 2015, the Business & Professions Subcommittee considered and adopted a strike-all amendment and reported the bill favorably as a committee substitute. The amendment:

- Clarifies the process that will be used by DACS to determine the order of preference for awarding the additional rebates; and
- Removes an obsolete rulemaking date and makes technical corrections to two statutory definitions.

On February 17, 2016, the Regulatory Affairs Committee considered and adopted a strike-all amendment and reported the bill favorably as a committee substitute. The amendment:

- Revises the process for awarding applicants rebates and additional rebates (above the current cap of \$250,000 per applicant) from June 1 through June 30 and removes reference to rulemaking by the Department of Agriculture and Consumer Services.

The staff analysis has been updated to reflect the committee substitute.

¹³ Florida Department of Agriculture and Consumer Services, Office of Energy, <http://www.freshfromflorida.com/Divisions-Offices/Energy/Natural-Gas-Fuel-Fleet-Vehicle-Rebate> (last visited Feb. 14, 2016).