

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Committee on Environment and Natural Resources

BILL: SB 650

INTRODUCER: Senator Rodriguez

SUBJECT: Alternative Fuel Fleet Vehicle Rebates

DATE: January 9, 2023

REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Barriero</u>	<u>Rogers</u>	<u>EN</u>	<u>Pre-meeting</u>
2.	_____	_____	<u>AEG</u>	_____
3.	_____	_____	<u>FP</u>	_____

I. Summary:

SB 650 expands the state’s rebate program for natural gas powered fleet vehicles to also include rebates for hybrid and electric fleet vehicles placed into service on or after July 1, 2024. The bill requires the Department of Agriculture and Consumer Services (DACS) to update its rules by December 31, 2024, to provide for the changes required under this bill. The bill also provides that by October 1, 2026, and each year thereafter that the program is funded, DACS must provide an annual assessment of the use of the rebate program during the previous fiscal year to the Governor and Legislature.

II. Present Situation:

Florida’s Natural Gas Fuel Fleet Vehicle Rebate Program

In 2013, the Legislature created the natural gas fuel fleet vehicle rebate program within the Department of Agriculture and Consumer Services (DACS) to help reduce transportation costs and encourage freight mobility investments that contribute to the economic growth of the state.¹

The program provides a rebate of up to 50 percent of the eligible costs of a natural gas fuel fleet vehicle² with a dedicated or bi-fuel natural gas fuel operating system placed into service³ on or after July 1, 2013.⁴ “Natural gas fuel” includes any liquefied petroleum gas product, compressed natural gas product, or combination thereof used in a motor vehicle.⁵ It includes, but is not

¹ Ch. 2013-198, s. 17, Laws of Fla.; section 377.810(1), F.S.

² “Fleet vehicles” means three or more motor vehicles registered in this state and used for commercial business or governmental purposes. Section 377.810(2)(d), F.S.

³ “Placed into service” means the date a vehicle is purchased, leased, or converted. Fla. Admin. Code R. 5O-4.001(2)(a).

⁴ Section 377.810(3), F.S.

⁵ Section 377.810(2)(f), F.S. “Motor vehicle” means any vehicle, machine, or mechanical contrivance which is propelled by any form of engine or motor which utilizes motor or diesel fuel and is required, or would be required, to be licensed if owned by a resident. Section 206.01(23), F.S.

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.⁶ The 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.⁷

Eligible costs under the program include conversion⁸ or other incremental costs⁹ related to the conversion, purchase, or lease¹⁰ of a natural gas fleet vehicle placed into service on or after July 1, 2013.¹¹ Costs for project development, fueling stations, or other fueling infrastructure are not covered under the rebate program.¹² To be eligible for a rebate, fleet vehicles must comply with applicable United States Environmental Protection Agency emission standards.¹³

Of the funds available for these rebates, 40 percent is reserved for government applicants, with the remaining funds allocated to commercial applicants.¹⁴ DACS allocates rebates to eligible applicants on a first-come, first-served basis.¹⁵ Eligible applicants may receive a maximum rebate of \$25,000 per vehicle, up to a total of \$250,000 per applicant per fiscal year.¹⁶ However, between June 1 and June 30 of each fiscal year, applicants who have reached the \$250,000 per year maximum may apply for additional funds for vehicles that have not received a rebate.¹⁷

Each year the program is funded DACS must provide an annual assessment of the use of the rebate program during the previous fiscal year to the Governor, Legislature, and the Office of Program Policy Analysis and Government Accountability (OPPAGA).¹⁸ The assessment must include, at a minimum, the following information:

- The name of each applicant awarded a rebate;
- The amount of the rebates awarded to each applicant;
- The type and description of each eligible vehicle for which each applicant applied for a rebate; and
- The aggregate amount of funding awarded for all applicants claiming rebates under the program.¹⁹

Pursuant to s. 377.810(8), F.S., OPPAGA published a report on the probate program in November 2015.²⁰ OPPAGA found that in the program's first two years, DACS awarded \$9.1

⁶ Section 377.810(2)(f), F.S.

⁷ Section 377.810(2)(f), F.S.

⁸ "Conversion costs" means the excess cost associated with retrofitting a diesel or gasoline powered motor vehicle to a natural gas fuel powered motor vehicle. Section 377.810(2)(a), F.S.

⁹ "Incremental costs" means the excess costs associated with the purchase or lease of a natural gas fuel motor vehicle as compared to an equivalent diesel- or gasoline-powered motor vehicle. Section 377.810(2)(e), F.S.

¹⁰ Leases must be for at least five years. Section 877.810(2)(c), F.S.

¹¹ Section 377.810(2)(c), F.S.

¹² *Id.*

¹³ Section 377.810(3), F.S.

¹⁴ *Id.*

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ Section 377.810(7), F.S.

¹⁹ *Id.*

²⁰ OPPAGA, *Natural Gas Rebate Recipients Are Satisfied; Improved Economic Benefits Data Is Needed*, (2015), available at <https://www.oppaga.fl.gov/Products/ReportDetail?rn=15-09>.

million in rebates for 790 vehicles.²¹ Program applicants included both large and small businesses and local governments.²² Commercial applicants included national delivery services (e.g., FedEx and United Parcel Service), and telecommunication and sanitation companies (e.g., AT&T and Waste Management), as well as smaller, local businesses.²³ Cities, counties, and school districts typically obtained rebates for purchasing natural gas utility trucks, law enforcement vehicles, and school buses.²⁴

Electric and Hybrid Vehicles

Electric vehicles (EVs) utilize batteries to store electrical energy, which is then used to power the vehicle's motor.²⁵ EV batteries are charged by plugging the vehicle into an electric power source. Plug-in hybrid electric vehicles (PHEVs) are powered by an internal combustion engine that can run on conventional or alternative fuels and an electric motor that uses energy stored in batteries. The vehicle can be plugged into an electric power source to charge the batteries. EVs and PHEVs also take advantage of regenerative braking to capture the energy that would otherwise be lost during braking.²⁶

Hybrid electric vehicles combine a primary power source, an energy storage system, and an electric motor to achieve a combination of emissions, fuel economy, and range benefits.²⁷ Hybrid vehicles use less petroleum-based fuel and capture energy created during braking and idling. This collected energy is used to propel the vehicle during normal drive cycles. The batteries supply additional power for acceleration and hill climbing.²⁸

Transportation electrification has gained significant momentum in recent years.²⁹ Global EV sales—including battery EVs and PHEVs—exceeded 10 million in 2022.³⁰ A total of 14 percent of all new cars sold in 2022 were electric, up from approximately 9 percent in 2021 and less than 5 percent in 2020. EV sales in the United States, which is the third largest market following China and Europe, increased by 55 percent in 2022.³¹ U.S. EV sales vary substantially at the state, regional, and local levels, as do government actions and support policies.³²

²¹ *Id.* at 2.

²² *Id.*

²³ *Id.* at 3.

²⁴ *Id.*

²⁵ National Renewable Energy Laboratory (NREL), *Electric and Plug-In Hybrid Electric Fleet Vehicles*, <https://www.nrel.gov/transportation/fleetest-electric.html> (last visited Jan. 4, 2024).

²⁶ *Id.*

²⁷ NREL, *Hybrid Electric Fleet Vehicles*, <https://www.nrel.gov/transportation/fleetest-hybrid.html> (last visited Jan. 4, 2024).

²⁸ *Id.*

²⁹ National Conference of State Legislatures (NCSL), *State Policies Promoting Hybrid and Electric Vehicles*, <https://www.ncsl.org/energy/state-policies-promoting-hybrid-and-electric-vehicles> (last visited Jan. 4, 2024).

³⁰ International Energy Agency, *Global EV Outlook 2023*, 8, 14 (2023), available at <https://iea.blob.core.windows.net/assets/dacf14d2-eabc-498a-8263-9f97fd5dc327/GEVO2023.pdf>.

³¹ *Id.*

³² Peter Slowik and Nic Lutsey, *White Paper: The Continued Transition to Electric Vehicles in U.S. Cities*, 2 (2018), available at https://theicct.org/wp-content/uploads/2021/06/Transition_EV_US_Cities_20180724.pdf.

In an effort to reduce emissions and diversify fuel sources, many states are promoting the use of alternative fuels such as electricity, natural gas, hydrogen, and biofuels.³³ Forty-five states and the District of Columbia have implemented incentives to promote the adoption of EVs, including PHEVs and battery EVs, either through a specific utility operating in the state or through state legislation.³⁴ The incentives range from tax credits or rebates to fleet acquisition goals, exemptions from emissions testing or utility time-of-use rate reductions.³⁵ In addition, in 2021, the federal government issued an executive order providing that all federal fleet purchases must be zero-emission by 2035.³⁶

III. Effect of Proposed Changes:

Section 1 amends s. 377.810, F.S., regarding the rebate program for natural gas fuel fleet vehicles. The bill expands the program to include rebates for fleet vehicles powered by alternative fuel. The bill defines “alternative fuel” to include hybrid and electric power sources, as well as fuels covered under the current rebate program (i.e., liquefied petroleum gas products, compressed natural gas products, or any combination thereof).³⁷ The bill defines “hybrid” as a power source that draws propulsion energy from onboard sources of stored energy in the form of an internal combustion or a heat engine using combustible fuel and a rechargeable energy-storage system to power a motor vehicle. The bill defines “electric” as a power source that uses electricity produced by rechargeable storage batteries to power a motor vehicle.

Currently, conversion costs covered under the rebate program only pertain to the conversion into a natural gas powered motor vehicle.³⁸ The bill amends the definition of “conversion costs” to include excess costs associated with retrofitting a diesel or gasoline powered motor vehicle to an alternative fuel powered motor vehicle.

The bill provides that the rebate program applies to fleet vehicles with a dedicated alternative fuel operating system placed into service on or after July 1, 2024.

The bill requires the Department of Agriculture and Consumer Services (DACS) to update its rules by December 31, 2024, to provide for the changes required under this bill. The bill also provides that by October 1, 2026, and each year thereafter that the program is funded, DACS must provide an annual assessment of the use of the rebate program during the previous fiscal year to the Governor and Legislature. Consistent with the current requirements, the assessment must include, at a minimum, the following information:

- The name of each applicant awarded a rebate;
- The amount of the rebates awarded to each applicant;

³³ NCSL, *State Policies Promoting Hybrid and Electric Vehicles*, <https://www.ncsl.org/energy/state-policies-promoting-hybrid-and-electric-vehicles> (last visited Jan. 4, 2024).

³⁴ *Id.*

³⁵ *Id.*

³⁶ Office of the White House, *Executive Order on Catalyzing Clean Energy Industries and Jobs Through Federal Sustainability*, s. 102(a)(ii), available at <https://www.whitehouse.gov/briefing-room/presidential-actions/2021/12/08/executive-order-on-catalyzing-clean-energy-industries-and-jobs-through-federal-sustainability/>.

³⁷ See section 377.810(2)(f) and (3), F.S.

³⁸ Section 377.810(2)(a), F.S.

- The type and description of each eligible vehicle for which each applicant applied for a rebate; and
- The aggregate amount of funding awarded for all applicants claiming rebates under the program.³⁹

The bill also removes an obsolete provision of s. 377.810, F.S., which required the Office of Program Policy Analysis and Government Accountability to provide a report on the rebate program by January 31, 2016.

Section 2 provides an effective date of July 1, 2024.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. State Tax or Fee Increases:

None.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

The bill is likely to have a negative fiscal impact on the state. The expansion of the rebate program to include electric and hybrid vehicles is likely to increase rebate applications. The Department of Agriculture and Consumers Services may incur costs to implement the expanded fleet vehicle rebate program and update its rules.

³⁹ See section 377.810(7), F.S.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

This bill substantially amends s. 377.810 of the Florida Statutes.

IX. Additional Information:

A. Committee Substitute – Statement of Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

None.