



State of Oregon Department of Environmental Quality

Electric Vehicle Rebate Draft Fiscal Impact Statement

Summary

DEQ proposes to develop rules for an Electric Vehicle (EV) Rebate under Division XXX of Chapter 340 of the Oregon Administrative Rules. The proposed rules would implement Sections 148-152 of House Bill 2017 (2017), which directs DEQ to develop and implement an EV rebate program for Oregon. The Electric Vehicle Rebate program is designed to incentivize car owners to purchase certain types of EVs, thus increasing adoption of zero emission vehicles, reducing air pollution and advancing progress towards Oregon's greenhouse gas reduction goals.

The Electric Vehicle Rebate program will contain two rebate elements. One component provides conventional rebates towards the purchase or lease of a new electric vehicle. A second component, called Charge Ahead, provides rebates towards the purchase or lease of a new or used electric vehicle if the purchaser is from a low or moderate household, resides in an area of the state with poor air quality from transportation emissions, and scraps an internal combustion engine car at least 20 years old.

DEQ is proposing to establish program requirements including:

- Rebate amounts provided towards the purchase or lease of a qualified electric vehicle.
- Eligibility requirements for vehicles and purchases qualifying under the program.
- Program elements of the Charge Ahead rebate program, including certain eligibility criteria, as defined in rulemaking and certain design criteria such as requirements regarding vehicle scrappage and area of residence.
- Design features and procedures that include funding allocation, prioritization, and allocation of rebates.
- Enforcement mechanisms to ensure program requirements are met.

Affected parties

Parties likely affected by the EV rebate program include:

- Automobile dealers – Businesses that sell new and or used electric vehicles. Under the rules, they may be responsible for applying the rebate to the purchaser at the point of sale. (TBD)
- Automobile manufacturers – Businesses that manufacture electric vehicles eligible for the rebate.

- Electric vehicle purchasers – Oregon residents who purchase or lease a qualifying electric vehicle.

Fiscal and Economic Impact

The proposed rules are not anticipated to have any major economic impacts on any entity and would provide a benefit to electric vehicle automobile dealers or automobile manufacturers because they would see an increase in sales as a result of the rebate. The rules would also benefit any buyer of a qualified electric vehicle, as they would receive a rebate towards their purchase. The proposed rules would have a fiscal impact on DEQ, since DEQ is the agency responsible for implementing and overseeing the program. It is anticipated the Agency would need to hire an additional staff person to conduct this work.

Statement of Cost of Compliance

DEQ

DEQ will have a fiscal impact as a result of the rules. The rules establish a program to issue rebates towards the purchase of any qualified electric vehicle, and DEQ is the agency responsible for implementing and overseeing the program. Although DEQ intends to contract with a third party to implement the program, process rebate applications and track program activity, DEQ will need to hire an additional FTE to manage and oversee the third party entity and ensure program requirements are being met. Costs for hiring the third party entity will be covered by rebate program funding. Program funding is provided through a tax (which does have a fiscal impact on those paying it), but that tax is imposed directly by state statute and is not a result of compliance with the proposed rules. As part of the program requirements, DEQ will also be required to analyze rebate amounts on a yearly basis. Modifications to the amounts may require rule changes and updating of program materials and ensuring potential rebate recipients are aware of program changes. Outreach will be particularly important for the Charge Ahead program which affects low and middle income households.

Other governmental agencies

There are no fiscal impacts to other state, federal, or local agencies as a result of the proposed rule.

Public

The public would benefit from the proposed rulemaking. Under the rules developing the program, there are two rebate elements the public could utilize. One component provides conventional rebates towards the purchase or lease of a new electric vehicle. A second component, called Charge Ahead, provides rebates towards the purchase or lease of a new or used electric vehicle if the purchaser is from a low or moderate household, resides in an area of the state with poor air quality from transportation emissions, and scraps an internal combustion engine car at least 20 years old. Electric vehicle purchasers would receive a

rebate to help defray the cost of an electric vehicle. An additional benefit could be experienced by qualified applicants in the Charge Ahead program, because the Charge Ahead rebate could be combined with the conventional rebate, if applicants purchase a new electric vehicle.

Large businesses - businesses with more than 50 employees

For large businesses, the cost to comply with the proposed rules is identical to costs described under small businesses. This applies to automobile manufacturers and some auto dealers.

Small businesses – businesses with 50 or fewer employees

Overall, small businesses would benefit from the proposed rules. For example, electric vehicle manufacturers and dealers who sell electric vehicles would see an increase in sales because the rebates would encourage more people to purchase electric vehicles who might not otherwise have done so. Based on sales data from other states, vehicle sales increased once the rebate became available. In New York, the sales of zero emission vehicles saw a 74 percent increase over the same period in the previous year, prior to when the electric vehicle rebate incentive was offered. Alternatively, in Georgia, sales of EVs decreased 80 percent when the state eliminated a tax credit for EV purchases in 2015.

Some auto dealers may see a delayed benefit, if the program is administered in a way that provides the rebates to purchasers via the dealers, where dealers could directly apply the rebate towards a car payment loan, lease agreement payment, or reduce the overall cost of the car. Dealers may have to carry a larger amount of “debt” or “carryover” while they wait for the rebate application to be processed and funds to be remitted into their account. Another consideration for the dealers is the potential additional paperwork or training required (approximately 4-6 hours)¹ to utilize any electronic databases allowing them to apply for the rebate on behalf of the purchaser. This cost could be offset by the increased number of sales they will experience as a result of more people coming in to buy electric vehicles. Based on available information DEQ expects a net positive fiscal benefit to EV dealers from the proposed rules and rebate program.

Under the Charge Ahead program, qualified applicants will be required to scrap an internal combustion engine car in order to obtain the rebate. Automobile dealers accepting responsibility for scrapping the car at their dealership would potentially see a delayed benefit. Incapacitating the engine block to fulfill the scrapping requirement prevents the auto dealer from being able to resell the entire car. However, they would still receive some value for the remaining car components. Vehicle scrapping companies would see a benefit because their business may increase as a result of cars being required to be scrapped in order for Charge Ahead applicants to receive their rebate.

¹ Per conversation with VITU, a local vehicle software registration company.

a. Estimated number of small businesses and types of businesses and industries with small businesses subject to proposed rule.

Using recent employment data, DEQ identified up to 253 small businesses potentially affected by this rule. This includes 245 automobile dealers (both new and used) and eight salvage companies who could be responsible for addressing the scrappage component of the Charge Ahead program.

b. Projected reporting, recordkeeping and other administrative activities, including costs of professional services, required for small businesses to comply with the proposed rule.

Option A: If DEQ proposes rules to issue rebates directly to electric vehicle purchasers, no activities are required of small businesses to comply with the proposed rules.

Option B: If DEQ proposes rules to issue rebates to electric vehicle purchasers via the automobile dealers, there may be some administrative activities required to fill out the necessary paperwork on behalf of the purchaser, submit the information to DEQ or the third party entity administering the rebate program, track the funds, and receive payment.

Under the Charge Ahead program, there may be additional recordkeeping required for auto dealers and vehicle scrappers to show proof of conventional gasoline car scrappage (in the form of a receipt or form provided by DEQ) for the qualified applicant to receive his rebate.

c. Projected equipment, supplies, labor and increased administration required for small businesses to comply with the proposed rule.

Option A: If DEQ proposes rules to issue rebates directly to electric vehicle purchasers, no activities are required of small businesses to comply with the proposed rules.

Option B: If DEQ proposes rules to issue rebates to electric vehicle purchasers via the automobile dealers there may be some minimal training necessary (approximately 4-6 hours of staff time) or additional administration to process and submit information regarding rebate program submittals and remittance.

d. Describe how DEQ involved small businesses in developing this proposed rule.

DEQ included small business representatives on the Electric Vehicle Rebate Rule Advisory Committee that advised DEQ on the cost of compliance for small businesses. DEQ also provided rulemaking notice through the Oregon Auto Dealers Association and the Oregon Independent Auto Dealers Association. These associations included small businesses as part of their membership.

Documents relied on for fiscal and economic impact

Document title	Document location
Title	Link or office address
Oregon Department of Employment 2015 data	Employment Department 875 Union Street NE Salem OR 97311

Advisory committee

DEQ has appointed an advisory committee.

As ORS 183.333 requires, DEQ will ask for the committee's recommendations on:

- Whether the proposed rules would have a fiscal impact,
- The extent of the impact, and
- Whether the proposed rules would have a significant adverse impact on small businesses and complies with ORS 183.540.

The committee will review the draft fiscal and economic impact statement and its findings are will be stated in the approved minutes.

As ORS 183.333 and 183.540 require, the committee will consider how DEQ could reduce the rules' fiscal impact on small business by:

- Establishing differing compliance or reporting requirements or time tables for small business;
- Clarifying, consolidating or simplifying the compliance and reporting requirements under the rule for small business;
- Utilizing objective criteria for standards;
- Exempting small businesses from any or all requirements of the rule; or
- Otherwise establishing less intrusive or less costly alternatives applicable to small business.

Housing cost

As ORS 183.534 requires, DEQ evaluated whether the proposed rules would have an effect on the development cost of a 6,000-square-foot parcel and construction of a 1,200-square-foot detached, single-family dwelling on that parcel. DEQ determined the proposed rules would have no effect on the development costs because it only affects purchasers of electric vehicles.