

Department of Legislative Services
 Maryland General Assembly
 2022 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 687 (Senator Young, *et al.*)
 Education, Health, and Environmental Affairs

Department of the Environment – Zero-Emission Medium and Heavy Duty Vehicles – Regulations (Zero-Emission Truck Act of 2022)

This bill requires the Maryland Department of the Environment (MDE), by December 1, 2022, to adopt regulations establishing requirements for the sale of new zero-emission medium and heavy duty vehicles in the State. The regulations may update existing regulations and incorporate by reference the California Air Resources Board’s (CARB) vehicle standards, as revised and updated. “Heavy duty vehicle” means a vehicle with a gross vehicle weight (GVW) rating equal to or greater than 26,001 pounds (lbs). A “medium duty vehicle” is a vehicle with a GVW rating of between 10,000 and 26,000 lbs. **The bill takes effect June 1, 2022.**

Fiscal Summary

State Effect: General fund administrative expenditures increase by \$360,100 in FY 2023; out-years reflect ongoing costs and inflation. Other impacts on State expenditures related to the implementation of the regulations are not reflected in this analysis, as discussed below. State revenues are not directly affected.

(in dollars)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	360,100	144,500	148,700	152,600	156,800
Net Effect	(\$360,100)	(\$144,500)	(\$148,700)	(\$152,600)	(\$156,800)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: Local government expenditures are likely affected by the regulations adopted under the bill, as discussed below. Local revenues are not affected.

Small Business Effect: Potential meaningful.

Analysis

Current Law:

The Federal Clean Air Act and California's Clean Car Program

Pursuant to the federal Clean Air Act (CAA), vehicles sold in the United States must be certified under one of two certification programs: (1) the federal program (Tier 2) or (2) the California program (the Clean Car Program). Section 177 of the CAA Amendments of 1990 provides states the ability to adopt the California program in lieu of the federal program as long as the adopted state program is identical to the California program and the state allows two model years lead time from adoption to implementation.

The Maryland Clean Cars Act of 2007 (Chapters 111 and 112) requires MDE to adopt regulations implementing the California Clean Car Program (also referred to as the California Low Emissions Vehicle Program, or CAL LEV) in Maryland. Maryland's implementing regulations adopted, through incorporation by reference in COMAR 26.11.34.02, the applicable California regulations. The CAL LEV program is a dynamic, changing program in which many of the relevant California regulations are continuously updated. To retain California's standards, Maryland must remain consistent with its regulations, which means when California updates its regulations, Maryland must reflect these changes by amending State regulations.

California's Advanced Clean Truck Rule

CARB updated its Advanced Clean Truck (ACT) Rule in March 2021. Broadly, the rule requires manufacturers of medium and heavy duty trucks to sell an increasing number of zero-emission trucks in California (as opposed to diesel or gasoline vehicles). The emissions reductions requirements begin in 2024 and increase through 2035.

State Expenditures:

Maryland Department of the Environment Administrative Expenditures

General fund expenditures increase by \$360,069 in fiscal 2023, which accounts for a 30-day start-up delay; there is no effect in fiscal 2022. This estimate reflects the cost of hiring two regulatory compliance engineers to (1) develop the regulations; (2) facilitate the hiring of a contractor to conduct outreach and get input from stakeholders; (3) establish a compliance program; (4) track new truck sales and credits; and (5) oversee the administration of the ZEV Truck Credit, Banking, and Trading Program, a component of ACT. It includes salaries, fringe benefits, one-time start-up costs (including contractual

costs), and ongoing operating expenses. The information and assumptions used in calculating the estimate are stated below:

- MDE adopts portions of California’s ACT rule by regulation to satisfy the bill’s requirement (ACT contains provisions for classes of vehicles that do not fall within the definitions of medium and heavy duty vehicles under the bill; it is assumed these portions of ACT are not incorporated into Maryland regulations);
- adopting the required regulations necessitates an extensive stakeholder outreach process prior to adoption to inform the regulated community of ACT requirements and to determine the baseline for the credit, banking, and trading program;
- MDE does not have sufficient staff to complete the stakeholder process, so it must hire a third-party contractor to conduct the work; and
- to implement ACT, MDE needs to establish and implement a compliance program for medium and heavy duty truck manufacturers to ensure zero-emissions truck credit requirements are met each vehicle model year.

Positions	2.0
Salaries and Fringe Benefits	\$144,853
Contractual Costs	200,000
Other Operating Expenses	<u>15,216</u>
Total FY 2023 MDE Amin. Costs	\$360,069

Future year administrative expenditures reflect salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

Impact of Adopting California’s Advanced Clean Truck Rule

Adopting portions of California’s ACT rule likely has an impact on State expenditures (all/multiple fund types) for State agencies that purchase medium and heavy duty vehicles. According to MDE, pursuant to ACT, ZEV requirements are phased in (they increase from model year 2025 through 2035 and remain constant thereafter). There may also be the need to hire new (or train existing) technicians to maintain the ZEVs and to install charging equipment. MDE advises that, compared to conventional trucks, ZEV trucks are generally more expensive to purchase but have lower operating costs. The ACT standards only affect the purchase of new vehicles, so any impact occurs when existing vehicles are replaced or new vehicles are purchased. The Department of Legislative Services does not have sufficient information to provide an estimate of the fiscal impacts associated with implementing ACT.

Local Expenditures: Similar to the potential impacts on State agencies from adopting California's ACT rule, local government expenditures are likely affected by the adoption of portions of ACT.

Small Business Effect: Similar to the State and local impacts described above, small businesses that purchase medium and heavy duty vehicles are likely affected by the adoption of portions of ACT.

Additionally, small businesses that sell, service, or provide other services or parts (including charging equipment) for zero-emission medium and heavy duty vehicles may see an increase in the demand for their services and/or products. Conversely, small businesses that sell, service, or offer other services or parts, equipment, or fuels for conventional medium and heavy duty vehicles may see a decline in the demand for their services (although this likely does not occur until the out-years as the ZEV requirements are phased in).

Additional Information

Prior Introductions: None.

Designated Cross File: HB 829 (Delegate Love) - Environment and Transportation.

Information Source(s): Maryland Department of the Environment; Department of General Services; Maryland Department of Transportation; California Air Resources Board; U.S. Environmental Protection Agency; Natural Resources Defense Council; Department of Legislative Services

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