

Department of Planning and Budget

2021 Special Session 1 Fiscal Impact Statement

1. Bill Number: HB2118

House of Origin	<input type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input checked="" type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron: Keam

3. Committee: Finance and Appropriations

4. Title: Electric Vehicle Grant Fund and Program; creation; report.

5. Summary: The bill defines school bus project and establishes requirements for any such project and its corresponding agreement. The bill requires that procurement be pursuant to a competitive solicitation process conducted by the utility in consultation with the Department of Education (DOE) and the Department of General Services (DGS); that the participating utility limit the total number of electric school buses entering the project to no more than an average of 250 electric school buses in each calendar year, and no more than 1,250 electric school buses in total; that consideration be given to the locational benefits that the electric school buses' storage batteries are expected to contribute to the utility's electric grid; that electric school buses be titled with the name of the participating school division as the primary owner, and that the utility own the storage batteries and associated charging stations and related infrastructure used in the electric school buses; that participating school divisions be compensated for certain use of an electric school bus battery as an electric grid stabilization or peak-shaving resource; that any electric energy from an electric school bus that is utilized by a utility in connection with grid stability aspects be replaced at no cost to the participating school division; that no participating school division be required to pay a utility for certain project costs; and that participating school divisions be responsible for the operation and maintenance of any electric school bus used pursuant to such project and able to retain any expense savings.

The bill provides that any such project is in the public interest and may qualify as an energy storage project pursuant to the Virginia Electric Regulation Act. The bill provides that if any revenues are generated from the leasing of utility-owned electric school buses or associated charging stations or other infrastructure to a school board, such revenues shall be applied by the utility to offset the costs of the related equipment. The bill further provides that participating utilities may be entitled to recover all reasonable and prudent program costs and shall petition the State Corporation Commission (SCC) for the recovery of such costs.

The bill requires that any utility that participates in an electric school bus project report annually on the status of its participation in such program to the Governor, the SCC, and the Chairs of the House Committee on Labor and Commerce and the Senate Committee on Commerce and Labor.

The bill requires that participating utilities pay the local prevailing wage rate, participate in certified apprenticeship programs; establish preferences for hiring veterans, local workers, women, and workers from historically economically disadvantaged communities; and include the same requirements in every subcontract so that the provisions will be binding upon each subcontractor.

The bill also adds school bus projects to the list of certified pollution control facilities that are exempt from state and local taxation.

- 6. Budget Amendment Necessary:** No. See item 8.
- 7. Fiscal Impact Estimates:** Preliminary. See item 8.
- 8. Fiscal Implications:** This bill sets parameters for the development of electric school bus projects. The SCC and the Department of Environmental Quality (DEQ) anticipate no impact as a result of this bill.

No immediate state fiscal impact under Direct Aid to Public Education is anticipated, but any change to local costs for bus-related expenditures eventually may impact the state cost for the school bus formula in the Standards of Quality. Any actual fiscal impact to the state or localities under Direct Aid to Public Education is indeterminate. DOE can absorb any cost to provide consultation to utilities that are conducting a competitive solicitation process for electric school bus procurement as part of an electric school bus project.

Under the terms of this bill, the procurement of the electric school buses would be through a competitive procurement by the utility, which is a private entity. The procurement is to be in consultation with DOE and DGS. As a private entity, the utility is not subject to the Virginia Public Procurement Act and other public body procurement regulations. It is unclear at this time what consultation requirements or services DGS would provide, and as such, the impact to DGS is indeterminate.

Under existing law, DGS establishes statewide school bus purchase contracts within requirements set by DOE. Use of the statewide contracts are optional for school divisions. Under the terms of this bill, the procurement of the electric school buses would be by the utility, not a DGS contract. To the extent that participating school divisions choose to participate in an electric school bus project in lieu of purchasing from the existing statewide contracts, there could be a decrease in the number of school buses purchased from the statewide contract. Depending on the amount of decreased purchases, bulk savings on the contract may decrease and school divisions still purchasing school buses through the statewide contract may have higher costs per school bus as a result of a lower volume of school buses being procured in the aggregate. Any additional costs are indeterminate and would depend on the school bus purchasing needs of school divisions utilizing the statewide contract.

The bill adds school bus projects to the list of certified pollution control facilities that are exempt from state and local taxation. Information regarding any impact on the Department of Taxation (TAX) is pending. In their estimate for a companion bill, TAX stated that expenses resulting from this bill are considered routine and can be absorbed within existing resources. TAX further stated that the revenue impact of exempting electric school buses should be minimal as current law already exempts buses owned by public schools. However, the impact of exempting batteries and other charging infrastructure owned by utilities is unknown.

9. Specific Agency or Political Subdivisions Affected: Department of Environmental Quality; Department of Education; Direct Aid to Public Education; State Corporation Commission; Department of General Services; Department of Taxation; local school divisions; localities

10. Technical Amendment Necessary: No.

11. Other Comments: The S1 version of this bill is a companion to SB1380.