



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #599

Electric Vehicle Infrastructure Program (Transportation - Local Transportation Assistance)

[LFB 2021-23 Budget Summary: Page 575, #7]

CURRENT LAW

Several state agencies have taken roles in advancing the development of electric vehicle infrastructure, including the Department of Transportation (DOT). 2017 Act 59 created a \$75 fee for hybrid-electric passenger vehicles and a \$100 fee for fully electric passenger vehicles.

DISCUSSION POINTS

1. The use of electric vehicles has grown considerably in recent years. Electric vehicles rely on the development of appropriate infrastructure, including publicly-accessible electric vehicle charging stations. Proponents of electric vehicles cite several benefits, including reducing air and noise pollution, lower fuel and vehicle maintenance costs leaving more money available for consumers to use on different priorities, and the development of clean energy jobs. The consumer adoption of electric vehicles has continued to grow in recent years, and is expected to continue to increase. For example, the number of registered plug-in electric vehicles in Wisconsin has grown by an average of 9.0% each year from 2016 to 2020. The consulting firm IHS Markit estimates by 2025, 10% of new vehicles sold nationwide will be electric vehicles. In addition, several major automakers have announced plans to produce only electric and alternative fuel vehicles within a decade.

2. More than 95% of vehicle trips are 30 miles or less according to the Federal Highway Administration (FHWA). As a result, many electric vehicle owners are able to routinely cover their transportation needs by charging their vehicles at home, or even at work. However, for longer trips, publicly-accessible electric vehicle charging infrastructure is critical for the utility and feasibility of electric vehicles. One of the most commonly-cited primary obstacles to adoption of electric vehicle use is underdeveloped charging infrastructure. FHWA reported 78% of Americans believe finding an

electric vehicle charging station is at least moderately difficult. Compared to more than 150,000 gas stations in the U.S., FHWA reports there are only approximately 38,000 publicly-accessible charging stations nationwide, including fewer than 4,000 "fast charging" stations that can recharge vehicles within 20 minutes to one hour. Because the development of charging infrastructure is especially important for longer vehicle trips, it is common to develop such infrastructure near major roadways like interstates, U.S. highways, and state highways. As a result, the federal government and state governments are positioned to help develop a useful and well-connected system of electric vehicle infrastructure.

3. Traditionally, the Department has not taken responsibility in developing fuel infrastructure. However, with the rapidly increasing utilization of electric vehicles and their public benefits, some believe that states play an important role in promoting and advancing their use. Several state agencies are working towards increasing the connectivity and awareness of electric vehicles, including DOT, the Department of Administration, and the Public Service Commission. The Department indicates its role is to formally designate alternative fuel corridors with FHWA and to participate in regional transportation-focused initiatives. To be designated an alternative fuel corridor by FHWA, electric vehicle fast-charging stations can be no more than 50 miles apart or five miles off the roadway along the corridor. Currently, Wisconsin has six interstate corridors (components of I-39, I-41, I-43, I-90, I-94, and I-535) and two U.S. Highway corridors (components of USH 53 and USH 151) designated as alternative fuel corridors.

4. In Wisconsin, there are 433 publicly accessible charging stations, or about 73.5 per million residents, according to the U.S. Department of Energy. Compared to six other Midwest states (Illinois, Indiana, Iowa, Michigan, Minnesota, and Ohio), Wisconsin ranks third out of seven in publicly accessible charging stations per capita. When compared to the ten states closest to Wisconsin's population, the state ranks seventh out of eleven.

5. Given the increasing utilization of electric vehicles, some have concerns regarding the impact of an increasing share of vehicles that purchase fewer gallons of motor fuel, and thus contribute less to the transportation fund through motor fuel tax revenues, yet still utilize transportation infrastructure that is funded through the transportation fund. Partially in response to these concerns, 2017 Act 59 created a \$75 fee for hybrid-electric passenger vehicles and a \$100 fee for fully electric passenger vehicles, in addition to annually required registration fees, in order to help offset the lost motor fuel tax revenues from vehicles that rely at least partially on electricity rather than motor fuel. Previous analysis from this office indicated that the \$75 fee for hybrid-electric vehicles likely more than offsets the lost fuel tax revenue from the increased fuel efficiency of such vehicles when compared to similar conventional vehicles. Thus, providing SEG funding for debt service on bonds issued for charging stations for these vehicles may be warranted. In 2019-20, approximately \$4.9 million was collected from these fees and deposited into the transportation fund.

6. Future discussions among the Legislature may need to be had regarding how to continue funding the transportation fund to maintain programming levels despite the decreasing reliance on motor fuel (and thus motor fuel tax revenue) for transportation. The increasing utilization of electric vehicles and the improving fuel efficiency of gasoline-powered vehicles will continue to put negative pressure on motor fuel tax revenues collected. This trend, coupled the state motor fuel tax remaining the same since 2006, means motor fuel tax revenue (which accounted for slightly more than half of

all transportation fund revenues in 2019-20) will likely comprise an increasingly smaller share of transportation fund revenues. Several other states are currently discussing alternative transportation funding strategies based on mileage driven, and some states such as Oregon and Utah have begun implementing such programs.

7. The Governor recommends establishing a program within DOT to provide funding for electric vehicle infrastructure projects for the purpose of improving the accessibility of the state for electric vehicles, and authorize \$5,000,000 in transportation fund-supported, general obligation bonds for this purpose. This would require creating a new bonding appropriation for this program, and modifying an existing SEG debt service appropriation to allow principal and interest payments on bonds issued for the program's purposes to be eligible expenditures from the appropriation. Under the program, DOT would be required to work in consultation with the Department of Administration to determine appropriate locations for eligible projects. Because this would be a new program that would likely take some time to create and implement, it is unlikely that the authorized bonds would be issued quickly enough in the biennium to result in any debt service on the bonds being due in the biennium. As a result, there would be no estimated transportation fund-supported, general obligation bond debt service associated with these bonds in the biennium. When the bonds are fully issued, the annualized debt service to be paid from the transportation fund would be an estimated \$401,300 SEG.

8. Under the Governor's recommendations, necessary statutory language would be included that establishes a legislative finding and public purpose associated with the types of facilities receiving bond proceeds, similar to current law provisions relating to the use of state general obligation bond proceeds for grants that may be made to private entities that serve a public purpose. This language would state that the Legislature finds and determines that: (a) the use of electric vehicles benefits all residents of the state; (b) current electric vehicle infrastructure is insufficient; (c) funding of projects under this program is a valid government function and serves a public purpose; and (d) private capital and local government financial and technical resources are unable to fully meet the transportation and infrastructure needs of the state. If it is determined that developing electric vehicle infrastructure is the responsibility of the state or is beneficial to the state, the recommendation to establish a program within DOT to provide funding for electric vehicle infrastructure projects and provide \$5,000,000 in transportation fund-supported, general obligation bonds for this purpose could be adopted. [Alternative 1]

9. Electric vehicle infrastructure is generally an eligible use of funds under several sources of federal highway aid, including the surface transportation block grant program and the congestion mitigation and air quality improvement program. If developing electric vehicle infrastructure is the responsibility of the state or is beneficial to the state, a program could be established within DOT that would use \$1,250,000 FED in 2021-22 and \$2,500,000 in 2022-23 to provide funding for electric vehicle infrastructure projects. This would establish base funding for the program of \$2,500,000 FED annually. While the Legislature may establish federal appropriation levels, the Department can only spend the amount of federal aid that is received for each year. If DOT receives the estimated amount of federal aid that it budgeted for the biennium, providing federal aid towards an electric vehicle infrastructure program may require a corresponding decrease to another federal aid appropriation. However, this alternative would make FED appropriation authority available to this program, and if federal aid exceeds the current estimates for the biennium, the Department could expend the funds. Under the Governor's recommendations, total estimated federal highway aid is equal to \$803.5

million in 2021-22 and \$819.6 million in 2022-23, as compared to base funding of \$791.0 million. This alternative would establish a new federal appropriation and provide a similar biennial funding level for electric vehicle infrastructure that is recommended by the Governor, but would establish base level federal funding rather than authorizing new transportation fund-supported bonding. [Alternative 2]

10. The Volkswagen settlement funds arose from settlement with Volkswagen and federal government, where Volkswagen admitted to violating the federal Clean Air Act. Under the Volkswagen Mitigation Program, DOA is scheduled to receive \$67.1 million over 10 years to offset the excess pollution emitted by affected Volkswagen vehicles. Of this amount, DOA was to use \$10 million to provide electric vehicle charging station grants as directed by the Governor's veto message of the 2019-21 biennial budget act. However, in a July 10, 2020, decision in *Bartlett v. Evers, 2020 WI 68*, the Wisconsin Supreme Court found the Governor's partial veto unconstitutional which eliminated the directive of the Governor's veto that up to \$10 million be used for electric vehicle charging stations. As a result, this \$10 million was instead to be used for grants for school buses and transit capital assistance grants, as directed by the Legislature in 2019 Act 9. However, as part of the Governor's 2021-23 biennial budget recommendations, the bill would expand the authorized use of funds under DOA's transit capital assistance grant program to also include the installation of charging stations for electric vehicles. The amount allocated to electronic charging stations in the bill, about \$10 million, is the maximum amount that can be allocated to electronic charging stations under the settlement.

11. Bonding has often been used as the means of funding the gap between DOT infrastructure programs needs and available revenues. Consequently, the amount of annual transportation fund revenues needed to support annual debt service is seen as a measure of the transportation fund's solvency. Some may have concerns regarding the authorization of transportation fund-supported bonds for this purpose and thus increasing the amount of future SEG revenues needed to pay debt service.

12. Under the base level funding currently included in the substitute amendment to Assembly Bill 68/Senate Bill 111, expenditures from the transportation fund are significantly higher than under the Governor's recommendations. The Governor's recommendations reduced SEG funding to the state highway improvement program and replaced that funding with bonding. Further, while the 2019-21 budget increased revenues to the transportation fund, the coronavirus pandemic has dampened the impact of those revenue increases to the fund, as well as to ongoing base level revenues. The Committee already took action to reduce transportation fund appropriations, including adopting standard budget adjustments and reestimates of sum sufficient debt service appropriations that reduced appropriations by \$46.5 million in 2021-22 and \$31.4 million in 2022-23. Despite these actions and slightly higher estimated revenues, prior to Committee actions on the remainder of the transportation budget the estimated 2022-23 ending balance is -\$32.3 million. Thus, the availability of SEG funding to support future debt service on bonds issued to fund electric vehicle infrastructure projects could be limited. Given these concerns, the Committee could take no action. Funding for electric vehicle infrastructure could still be provided in the 2021-23 biennium depending on the Committee's actions regarding the Governor's recommended use of the Volkswagen settlement funds. [Alternative 3]

ALTERNATIVES

1. Authorize \$5,000,000 in transportation fund-supported, general obligation bonds to be issued for the purpose of funding an electric vehicle infrastructure grant program in the 2021-23 biennium. Increase estimated transportation fund-supported, general obligation bond debt service by \$175,500 SEG in 2022-23. When the bonds are fully issued, the annualized debt service to be paid from the transportation fund would be an estimated \$401,300 SEG.

ALT 1	Change to Base Revenue
BR-SEG	\$5,000,000

2. Provide \$1,250,000 in 2021-22 and \$2,500,000 in 2022-23 in federal highway aid for the purpose of funding an electric vehicle infrastructure grant program in the 2021-23 biennium. This alternative would require reducing federal highway aid to a different state program by an equal amount in each year.

ALT 2	Change to Base
FED	\$3,750,000

3. Take no action.

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