



State of Oregon Department of Environmental Quality

Draft Fiscal Impact Statement

Medium Heavy-Duty Zero Emissions Vehicles Rebate

Introduction

DEQ invites public input on proposed permanent rule amendments to chapter 340 of the Oregon Administrative Rules. The 2023 Oregon Legislature passed House Bill 3409 authorizing the Oregon Environmental Quality Commission to adopt rules to implement a new rebate program supporting the purchase of zero emissions medium and heavy-duty vehicles.

HB 3409 provides \$3M in revenue for DEQ's Zero-Emission Medium and Heavy-Duty Vehicle Incentive Fund to provide rebates for the purchase or lease of qualifying vehicles for use in Oregon. DEQ proposes to complete a rulemaking for the rebate program to specify details including application requirements, rebate allocation criteria, other requirements included in the statute, and program elements to alleviate disproportionate air pollution burdens among frontline communities.

In Oregon, medium and heavy-duty vehicles are currently responsible for an estimated 9.3 million metric tons of greenhouse gas emissions annually—approximately 42 percent of all greenhouse gases from the on-road vehicle fleet. This new rebate program will provide critical support for Oregon's transportation fleets to transition to zero emissions technologies and reduce these emissions statewide.

This rule will also incorporate 2024 Legislative changes (HB 4901) made to the Oregon Clean Vehicle Rebate Program. The changes include creating a new fund for dedicated Charge Ahead funding and removing the ability to stack the Standard and Charge Ahead Rebates. Instead, it creates a new rebate level for Charge Ahead applicants purchasing or leasing a new vehicle.

Fee analysis

This rulemaking does not involve fees.

Translation or other formats

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Statement of fiscal and economic impact

The proposed rules are not anticipated to create negative economic impacts for any entity. The rebate program will provide a financial benefit to vehicle and equipment dealers and manufacturers because they will see an increase in sales because of the DEQ funding. The rules will also benefit private and public entities that seek to purchase or lease new qualifying medium and heavy duty zero emissions vehicles. The new rebate program will provide direct financial incentives for these purchases, creating a positive economic impact.

Statement of cost of compliance

State agencies

The proposed rules are not anticipated to create negative economic impacts for any entity. The rules establish a program to rebate funds for the lease and purchase of medium and heavy duty zero emissions vehicles. DEQ is the agency responsible for implementing and overseeing the program. Program funding of \$3M total is available in DEQ's Zero-Emission Medium and Heavy-Duty Vehicle Incentive Fund for all rebate and administrative activities. DEQ's administrative costs, up to 10% of the total fund amount, will be covered by existing rebate program funding.

State agencies would benefit from the rebate program, and they do not face any fiscal or economic impacts from the proposed rules. Agencies that operate fleets of medium and heavy-duty vehicles and choose to apply for rebate funding for the purchase of qualifying zero emissions vehicles would incur a small cost for the time spent preparing and applying and submitting annual reports, but those costs may be offset in whole or in part by any rebates received.

Additionally, DEQ does not expect the proposed rule changes to the Oregon Clean Vehicle Rebate Program to have a significant fiscal impact on state agencies.

Local governments

There are no negative fiscal impacts to other state, federal, or local agencies because of the proposed rule. Agencies that own and operate medium and heavy-duty vehicles and choose to apply for rebate funding for qualifying zero emissions vehicles would incur a small fiscal cost for the time spent preparing and applying and submitting annual reports, but those costs may be offset in whole or in part by any rebates received.

Additionally, DEQ does not expect the proposed rule changes to the Oregon Clean Vehicle Rebate Program to have a significant fiscal impact on local governments.

Public

The public would benefit from the proposed rulemaking. People will realize a fiscal benefit from improved health outcomes due to better air quality from rebate funded projects. Proposed rules do not regulate or impact the public beyond the anticipated

improvement in air quality associated with the operation of new rebate-funded medium and heavy-duty zero emissions vehicles.

Additionally, the Oregon Clean Vehicle Rebate Program rule changes are expected to have a positive fiscal impact on the public, particularly for low- and moderate-income households. As these rule changes would allow the Charge Ahead Rebate portion of the program to remain open longer, if additional funding focused on the Charge Ahead Rebate were secured. This is timely and important, as the Oregon Clean Vehicle Rebate Program's Charge Ahead Rebate was included in the state's request for the Climate Pollution Reduction Grant through the U.S. Environmental Protection Agency.

Large businesses - businesses with more than 50 employees

Large businesses cost to comply with the proposed rules is identical to costs described below under small businesses. Those that choose to participate in the rebate program would benefit from the proposed rules. Businesses that manufacture and sell qualifying zero emissions medium and heavy-duty trucks will additionally benefit from the proposed rules due to increased incentives to support their purchase among Oregon fleets.

Similarly, large businesses would not incur any mandatory compliance costs as a result of the proposed Oregon Clean Vehicle Rebate Program rules because the proposed rules do not impose any requirements on parties who do not wish to participate in the program. Large business automobile manufacturers and car dealerships, such as those that manufacture or sell electric vehicles eligible for Charge Ahead rebates or other vehicles eligible for a rebate, could be affected by increased sales or leases if the Charge Ahead Rebate Program does receive additional funding, which could result in a positive fiscal impact.

Small businesses – businesses with 50 or fewer employees

Small businesses that choose to apply for funding and sell eligible equipment would benefit from the proposed rules. Under the program rules small businesses would be eligible to apply for rebate funding to lease and purchase new medium and heavy-duty zero emissions vehicles. Businesses that apply for rebate funding would be responsible for the costs of preparing and applying and submitting annual reports.

Zero emissions vehicle dealers and manufacturers will benefit from the proposed rules. Under the ZERO Fleet rebate program businesses can receive rebate funding to replace older diesel vehicles and equipment purchase new medium and heavy-duty zero emissions vehicles which would provide a benefit in the form of increased sales for businesses that provide this type of equipment.

Small businesses would not incur any mandatory compliance costs as a result of the proposed Oregon Clean Vehicle Rebate Program rules because the proposed rules do not impose any requirements on parties who do not wish to participate in the program. Small business car dealerships, such as those that sell electric vehicles eligible for Charge Ahead rebates or other vehicles eligible for a rebate, could be affected by

increased sales or leases if the Charge Ahead Rebate Program does receive additional funding, which could result in a positive fiscal impact.

ORS 183.336 Cost of Compliance Effect on Small Businesses

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 2,358 truck transportation businesses potentially affected by this rule. Other sectors likely to benefit from newly available rebate funding include 392 couriers and messengers and up to 304 transit and ground passenger transportation businesses. All these businesses could see benefits associated with newly available rebate funding resulting from proposed rules if they choose to apply for rebate funding.

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

Businesses that apply for rebate funding would be responsible for the costs of preparing and applying and submitting annual reports. DEQ estimates these costs would be minimal, under 2 hours of staff time total, and would occur for those businesses that choose to purchase of new medium and heavy-duty zero emissions vehicles and apply for a ZERO Fleet rebate for their fleets. Those costs may be offset in whole or in part by any rebates received. No additional activities are required to comply with the proposed Oregon Clean Vehicle Rebate Program rules.

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

The proposed rules will not require any additional resources for small businesses to comply.

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

DEQ included small business representatives on the Medium Heavy-Duty Zero Emissions Vehicles Rebate Rule Advisory Committee that made recommendations to DEQ on the cost of compliance for small businesses, and this statement incorporates those recommendations. The agency will consider recommendations from the advisory committee in preparing the statement of fiscal impact required by ORS 183.335(2)(b)(E). A separate meeting with Oregon Clean Vehicle Rebate Program interested parties also discussed these impacts and those recommendations were considered and incorporated. DEQ also provided rulemaking notice through the Oregon Trucking Association, Professional Business Development Group, Columbia Willamette

Clean Cities Coalition, and Breaking Barriers Collaborative. These associations include small businesses as part of their membership.

Documents relied on for fiscal and economic impact

Document title	Document location
Covered Employment and Wages (QCEW) Oregon, 2023 Annual	https://qualityinfo.org/ewind?rt=1&qcewOwnership=00&qcewIndustrySuperSector=0000&qcewIndustrySector=&qcewIndustryLvl=0&qcewIndustry=00000&qcewPeriodyear=2023&qcewPeriod=00&qcewArea=4101000000&toggleState=e0010~e5010~e9010~e0010~e5010~e9010~e501011~e501012~e501013~e501021~e5048~e50484~e0010~e5010~e9010~e501011~e501012~e501013~e501021~e5048~e50484~c501011~c501012~c501013~c5048~c9010~e5048~c50484

Housing cost

As ORS 183.534 requires, DEQ evaluated whether the proposed rules would influence 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 they provide rebates to commercial and public fleets' zero emissions vehicles. The rebate revenue reduces the purchase price of this equipment and, if anything, could reduce development costs if rebated vehicles are deployed in support of construction of new housing. The incentive amount is unlikely to influence development costs in any way.

Racial equity

ORS 183.335(2)(a)(F) requires state agencies to provide a statement identifying how adoption of this rule will affect racial equity in this state.

Longstanding systemic barriers built into government systems have left communities of color behind in accessing the programs and services that would offset the effects of history. As Oregon's demographics shift over time, governmental policies and practices have both a historic and current role in striving to alleviate racial and other inequities. DEQ's racial equity analysis focuses on how the proposed Medium and Heavy Duty Zero Emissions Vehicle Rebate and Oregon Clean Vehicle Rebate Program's proposed rules impact racial equity.

The cost of zero emissions medium and heavy-duty vehicles is higher than conventional fossil fuel vehicles and is a barrier to vehicle ownership. It is anticipated that these vehicle costs will decrease as technology advances, battery prices decline, as manufacturers produce increasing numbers of these vehicles, and the economies of scale allow manufacturers to reduce costs over time. The proposed rules will reduce these costs by providing direct incentives at the point of purchase for awarded applications. While there is currently a higher purchase price for zero emissions medium and heavy-duty vehicles, there is also a lower total cost of ownership through decreased maintenance and fuel costs.

There are additional indirect costs to businesses owned and operated among communities of color due to the need to install charging infrastructure for vehicles at their fleet's base of operations. Oregon is working to increase equitable access to charging by providing direct funding to businesses through our Oregon Zero Emissions Fueling grant program to install chargers. Additionally, the Clean Fuels Program works with electric utilities and charging service providers to incentivize delivery of low carbon

content fuels and help bring down the cost to fuel medium and heavy duty zero emissions vehicles.

The Oregon Clean Vehicle Rebate Program rule enables the Charge Ahead Rebate Program, which is available to low- and moderate-income households, increases EV accessibility. In Oregon, data shows that Black, Indigenous, and People of Color (BIPOC) are more likely to have low- and moderate-incomes than other groups. Increasing accessibility to EVs ensures BIPOC communities are not left behind in acquiring cleaner modes of transportation, reducing their vulnerability to fossil fuel price increases, and reducing air pollution within their communities.

DEQ estimates that proposed rules will advance racial equity in the state by reducing greenhouse gas emissions from trucks and buses in Oregon, with an emphasis in areas that face disproportionate burdens from air pollution. Incentivizing purchase of zero emissions vehicles will help Oregon achieve co-benefits such as improved air quality through reduced emissions particulate matter, oxides of nitrogen, and carbon dioxide. The program is designed provide adequate support for commercial and public fleet managers to choose to purchase zero emissions vehicles to replace their traditionally fossil fuel burning equipment. This transition will enhance public welfare for Oregon communities, particularly among environmental justice communities.

Environmental Justice Considerations

ORS 182.545 requires natural resource agencies to consider the effects of their actions on environmental justice issues. DEQ considered these effects by including a requirement in proposed rules that at least 40% of rebate revenue must be spent in areas of Oregon that experience disproportionate burdens from air pollution. This will be accomplished by prioritizing rebate applications from the top two quintiles of vulnerable populations as identified by demographic information, population density, and prevalence of diesel pollution on this map:

<https://geo.maps.arcgis.com/apps/instant/interactivelegend/index.html?appid=ba8d77b62d6a45b2a38b6d8d7d614f5c>

For people living in the red and orange areas of this map, DEQ expects the ZERO Fleet rebate program to support improved air quality as the agency issues rebates to vehicles that operate in these areas. Since rebates can only go for qualified zero-emissions vehicles, over time this will improve air quality.

DEQ included equitable business development trade groups and environmental justice advocacy organizations on the formal rulemaking advisory committee as part of developing these proposed rules. Feedback from these groups informed DEQ's approach, ensuring that the agency considered environmental justice issues during rulemaking. DEQ discussed and considered outreach methods, engagement best practices, program design, and funding allocation priorities with all groups involved to help inform our approach.

The Oregon Clean Vehicle Rebate Program is required to allocate at least 20% of funds to Charge Ahead Rebates for low- and moderate-income households. The rules enable this portion of the program to remain open longer, if additional funding is available for only the Charge Ahead Rebate Program, increasing access to the program and EVs and thereby reducing air pollution within the nearby communities of the applicants.

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