

\$200 Million to Maintain Michigan's Leadership in Mobility

Brief by Clean Fuels Michigan, Michigan EIBC, and Ecology Center

\$70M Fleet Vehicle Incentives

Agency: EGLE

Reasoning: Transitioning to clean transit, school buses, and other medium- and heavy-duty vehicles offers an opportunity to create win-wins in communities across the state. Medium- and heavy-duty vehicles make up only five percent of all vehicles on the road but are the second largest contributor to transportation emissions. Budget investments will be influential in spurring adoption that will promote cleaner air for Michigan's communities. These funds should be focused on historically disadvantaged communities with higher levels of air pollution. The incentive level should be set at the incremental cost of purchasing the cleaner vehicle versus a diesel vehicle and given at the point of sale.

Details: Create and fund a new program within EGLE to focus on clean vehicle incentives in the following markets:

- **School and transit agencies (\$45M):**
The 2021 Council on Future Mobility and Electrification report recommended that \$45 million could provide 80 or more accessible electric transit vehicles, charging infrastructure, and hands-on assistance to 40 school districts and up to 140 public transit agencies across the state. Transit and school bus fleets have long been underfunded and are one of the most promising opportunities for investing in vehicles that create benefits community-wide. Forty-eight percent of K-12 students ride a bus to school, and the average fuel economy for school buses is only 6.5 miles per gallon. Electric buses are a proven technology in Michigan; however, the upfront costs associated with these cleaner technologies pose a barrier for interested school districts and transit agencies. The EPA Clean School Bus Program received more applications than funding available, demonstrating both the demand and the need for additional grant funds.
- **"Flip your fleet program" for municipalities (\$10M):**
It is imperative that the state "walks the talk" and assists municipalities in converting to cleaner vehicles. This funding can provide incentives for municipalities to conduct fleet analyses and fund the cost difference between electric and diesel vehicles. Incentives should be available for any non-bus vehicle application.
- **Non-bus medium and heavy-duty private fleet incentives (\$10M):**
To ensure Michigan is leading in deploying on-road electric vehicles like delivery vehicles, refuse trucks, and medium- and heavy-duty trucks, we recommend creating a rebate program to incentivize private fleet conversion to electric vehicles. These vehicle types, in particular, greatly impact air quality.
- **Off-road vehicles like airport ground vehicles, port cargo handling equipment, and agricultural vehicles (\$5M):**
The Fuel Transformation Program has only \$5M set aside for an off-road vehicle program in 2023. This investment would double the program, allow ground support vehicle conversion at

scale in Michigan airports and ports, and provide incentives for agricultural equipment to electrify, which would set Michigan apart as a leader.

\$50M Rebate Program for Light Duty EVs, E-Bikes and At-Home Chargers

Agency: Treasury

Reasoning: Twenty-three states have some form of an EV incentive in place. States with purchase incentives rank the highest in state EV leadership, for example, on the ACEEE Scorecard. Rebates accelerate EV adoption, particularly with low and moderate-income households that find the upfront cost of an EV to be a barrier. With the significant revisions in the new federal tax credits for domestically produced EVs in the Inflation Reduction Act (IRA), state incentives could make EVs even more attractive to Michigan households.

Details: To maximize the potential air quality and clean air benefits while reducing reliance on foreign fuels, rebates should be designed to account for new, used, and leased battery electric and plug-in hybrid vehicles and be presented to consumers and dealers simply and understandably. An impactful and efficient EV rebate program should center equity by offering additional incentives for low- and moderate-income Michiganders and include non-automotive electric mobility options, and accept proof of enrollment in eligible public assistance programs to meet income reporting requirements. We also recommend adding micro-mobility solutions to the rebate program to support non-automotive travel like electric bicycles, electric motorcycles, and recreational vehicles like snowmobiles (capped at \$5M).

Additionally, the incentives should be given at the point of sale and not be treated as taxable income. Up to 5% of the program funds should be set aside for a public education campaign to let Michigan consumers know the rebates are available.

Finally, we recommend expanding the at-home charger rebate program to include necessary electrical upgrades. Expanding the FY23 executive budget proposal for a \$500 per applicant rebate for an in-home Level 2 charger to include the ability to use the rebate for any necessary electrical upgrades will be a more comprehensive program, especially for new EV owners who live in older housing that may require more costly electrical upgrades.

New Vehicles:

	<i>Battery Electric</i>	<i>Plug-In Hybrid</i>	<i>Non-Automotive Electric Mobility Options</i>
<i>General Rebate Amount</i>	\$2,000	\$1,000	\$500
<i>Income-Qualified Amount</i>	\$4,000	\$2,000	\$1,250 (capped at 90% of the price)

Used Vehicles:

	<i>Battery Electric</i>	<i>Plug-In Hybrid</i>
<i>General Rebate Amount</i>	\$2,000	\$1,000
<i>Income-Qualified Amount</i>	\$4,000	\$2,000

At-Home Level 2 Charger and Necessary Electrical Upgrades:

<i>General Rebate Amount</i>	\$500
<i>Income-Qualified Amount</i>	\$1,000

\$55M Rebate Program for Public Commercial and Community Charging

Agency: EGLE

Reasoning: Commercial vehicle and community charging are both areas that are seeing fewer investments and yet have a high impact on the economy and Michiganders' quality of living. Our infrastructure must be sufficient to allow safe and easy travel across and through the state in clean vehicles, both for individuals and fleets.

Details: Create new focus areas under the Charge Up Michigan Program to focus on community and public charging. These incentives could be structured as rebates with higher rebates for DC fast chargers and lower rebates for Level 2 chargers. Because NEVI funding will be primarily used to deploy DC fast chargers along highway corridors, there will still be a significant need for support to deploy publicly available charging throughout communities and at multi-use dwellings in Michigan. These incentives can be paired in some cases with utility "make ready" funding to extend electrical conduits.

- **Community charging rebates (\$30 million):** Michiganders who do not have access to home charging typically live in multi-family housing, and thus rely on curbside charging as an overnight charging solution or other types of public charging infrastructure. The Infrastructure Investment and Jobs Act (IIJA) created a \$1.25 billion competitive fund for community charging grants. While all the details are not yet available, we expect that the federal government will require 20 percent funding match. Setting aside excess general funds to support Michigan-based community charging projects will make Michigan more competitive for these limited federal funds while increasing equitable access to chargers for garage orphans. The state should also contribute additional funds to ensure that all Michigan communities are prepared with charging infrastructure. This funding can support community-based fast-charging locations and level 2

charging stations in high-density areas with many renters, especially curbside chargers as a home-adjacent overnight charging solution.

- **Public charging for commercial vehicles rebates (\$25 million):** Freight is a crucial economic engine in Michigan and a major contributor to harmful air pollution. Freight electrification presents a unique challenge for electrification since it requires greater energy to move larger medium and heavy-duty vehicles. Increasing deployment of larger electric vehicles will require depot charging as well as high-power charging systems along corridors, potentially with a megawatt or more power at each location. Limiting idle time is critical to the economics of freight haulers, so deployment of high-capacity fast charging infrastructure that reduces charging dwell times will be critical for adoption. Michigan has only one public station for commercial vehicle charging, at the West Michigan International Truck Dealership in Kalamazoo. To facilitate adoption of medium- and heavy-duty electric vehicles, Michigan needs accessible, high-power charging infrastructure. These funds should be available on a first-come-first serve basis for fleets to build the necessary infrastructure to electrify. Fleets that receive a grant from the Fuel Transformation Program should have priority for charging funding.

\$15M State Fleet Electrification

Agency: DTMB

Reasoning: The MI Healthy Climate Plan indicates that the State of Michigan plans to “transition its fleet to 100 percent zero-emission vehicles by 2035 for light-duty vehicles and 2045 for medium- and heavy-duty vehicles.” Given the higher upfront cost of electric vehicles and the need for charging infrastructure, this budget appropriation is critical to make headway toward this goal. This budget appropriation should be used to convert state fleet vehicles to cleaner fuels, including building upgrades, vehicles, and necessary charging or refueling infrastructure. Investments in public fleets will save taxpayers money over time by reducing fuel and maintenance costs.

Details:

- **State Fleet Telematics Data Analysis (\$200,000):** Install monitoring devices on state fleet vehicles to gather the data necessary for fleet procurement planning purposes, as well as an analysis of those findings. This funding would help the Department of Technology, Management and Budget determine the specific vehicles in the state’s fleet that would be most appropriate and cost-effective to transition to electric or alternative fuel vehicles.
- **State Fleet Vehicle Electrification (\$14.8 million):** The funding will support the electrification of state vehicles procured through the Vehicle Purchasing Program through the Michigan Department of Technology, Management, and Budget. The program will reconcile state agency purchase practices with goals set by the administration and help accelerate EV awareness and adoption throughout the state and beyond.