

**STATE and LOCAL
FISCAL IMPACT**

Drafting Number: LLS 09-0296
Prime Sponsor(s): Sen. Bacon
 Rep. Fischer

Date: February 5, 2009
Bill Status: Senate Transportation
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TITLE: CONCERNING THE AUTOMOBILE INSPECTION AND READJUSTMENT PROGRAM, AND, IN CONNECTION THEREWITH, EXPANDING THE ENHANCED EMISSIONS PROGRAM TO WELD AND LARIMER COUNTIES, MODIFYING THE GEOGRAPHICAL BOUNDARIES OF THE PROGRAM AREA, AND ALTERING CRITERIA USED TO DETERMINE WHICH COLLECTOR'S ITEMS ARE EXCLUDED FROM THE EMISSIONS TESTING PROCESS.

Fiscal Impact Summary	FY 2009-2010	FY 2010-2011
State Revenue		
Cash Funds		
Highway Users Tax Fund - AIR* Account	\$115,058	\$224,683
License Plate Cash Fund	67,027	0
State Expenditures		
Cash Funds		
Highway Users Tax Fund - AIR* Account	\$188,171	\$195,912
Highway Users Tax Fund - CSTARS Account**	9,658	0
License Plate Cash Fund	67,027	0
FTE Position Change	2.8 FTE	3.2 FTE
Effective Date: Upon signature of the Governor or upon the bill becoming law without his signature, except as noted in the Summary of Legislation section of the fiscal note.		
Appropriation Summary for FY 2009-2010: See State Appropriations section of the fiscal note.		
Local Government Impact: See Local Government Impact section of the fiscal note.		

* *Automobile Inspection and Readjustment (AIR) Account.*

** *Colorado State Titling and Registration Account (CSTARS). No separate appropriation for this cost is required because ongoing appropriations to the Department of Revenue for computer programming associated with new legislation is provided in the Long Bill.*

NOTE:

Revenue and costs associated with a rule change adopted by the Air Quality Control Commission (AQCC) in December 2008 are identified in the Departmental Differences section at the end of this fiscal note.

Summary of Legislation

As of January 1, 2010, the bill removes Weld and Larimer counties from the basic motor vehicle emissions program, and expands the enhanced emissions program to include most of Weld and Larimer counties and previously exempt areas of Adams and Arapahoe counties. The Air Quality Control Commission (AQCC) must review the boundaries of the program area, and may exclude regions from either the basic program area or the enhanced area by December 31, 2011. The bill clarifies that the diesel inspection program area remains unaltered.

In addition, the bill changes the definition of collector's item for the purposes of motor vehicle registration and emission testing to a model year 1975 or earlier, or a vehicle that was registered as a collector's item prior to September 1, 2009. Under current law, vehicles that are at least 25 years old may be considered a collector's item.

Background

Automobile Inspection and Readjustment (AIR) Program. The program is designed to reduce air pollutants through the regular inspection and repair of high polluting vehicles. Vehicles registered in the current inspection area must meet established criteria for emissions of carbon monoxide, nitrogen oxides and hydrocarbons. To ensure compliance with these standards, vehicles are required to undergo periodic emissions testing at the time their registration is renewed. Vehicles that fail the tests must be repaired and pass a retest before registration may be renewed.

State Revenue

Cash funds revenue is expected to increase by \$182,085 in FY 2009-10 and by \$224,683 in FY 2010-11. Revenue is from fees credited to the Highway Users Tax Fund (HUTF) - AIR Account and the License Plate Cash Fund as shown in Table 1.

Fee Impact on Individuals, Families or Business. Section 2-2-322, C.R.S., requires legislative service agency review of measures which create or increase any fee collected by a state agency. The table below identifies the fee impact of this bill.

Table 1. Fee Impact on Individuals, Families or Business				
Type of Fee	Current Fee	Number Affected	Fee Impact FY 2009-10	Fee Impact FY 2010-11
AIR Emission Fee - Expanded Area*	\$1.50	129,000	\$96,750	\$193,500
AIR Inspection Fee - Expanded Area	\$0.25	51,500	0	12,875
AIR Inspection Fee - Collector's Items	\$0.25	73,233	18,308	18,308
License Plate Cash Fund - Collector's Items	\$5.25	12,767	67,027	0
TOTAL			\$182,085	\$224,683

* *The Emission Fee begins January 1, 2010. Revenue for FY 2009-10 is based on six-month implementation (64,500 vehicles).*

AIR Emission Fee. Owners of a vehicles in the enhanced emission program area pay a fee of \$2.20 as part of annual registration. Of the total, \$0.70 remains with the county, and \$1.50 is credited to the HUTF-AIR Account to support the program. Approximately 129,00 vehicles are expected to pay the fee. Since the fee goes into effect January 1, 2010, revenue in FY 2009-10 is based on 6 months implementation.

AIR Inspection Fee. When vehicles have an emissions test, a fee of \$0.25 is remitted to the state and credited to the HUTF - AIR Account to support administrative costs of the program. Since the test is good for two years for most vehicles, and new cars are exempt for 4 years, approximately 51,500 vehicles are expected to have the emissions test each year due to the expanded testing area beginning in July 2010. In addition, the change to the definition of collector's item is expected to increase the number of older vehicles tested by about 73,000 vehicles annually.

License Plate Fees for Collector's Items. The definition change for collector's license plates is expected to increase the number of special plates issued by nearly 13,000 in FY 2009-10 only. The additional cost for these plates is a one-time fee of \$5.25.

State Expenditures

Expenditures are expected to increase by \$264,856 and 2.8 FTE in FY 2009-10 and by \$195,912 and 3.2 FTE in FY 2010-11. Expenditures are anticipated in both the Department of Public Health and Environment and the Department of Revenue as described below.

Department of Public Health and Environment (DPHE). The expansion of the enhanced emissions program requires the department to expand its outreach and technical services. A technician in northern Colorado is required to serve the public in the expanded area. In addition, the change in definition of collector's items for the purposes of vehicle registration is expected to impact approximately 12,000 vehicles in 2010 that fail the emission test and require repair. These vehicles are located throughout the enhanced program area. If private sector mechanics are unable to identify the problem on a vehicle, department staff assist owners by conducting diagnostic exams in order to pinpoint the cause of excess emissions and help determine an appropriate course of repair. Costs are included for 2.0 FTE and standard operating and capital expenses as shown in Table 2.

Table 2. Expenditures for the DPHE Under SB09-003		
Cost Components	FY 2009-10	FY 2010-11
Personal Services	\$117,126	\$117,126
FTE	2.0	2.0
Operating Expenses and Capital Outlay	12,356	1,900
Total — DPHE	\$129,482	\$119,026

Department of Revenue (DOR). The department is required to perform licensing and auditing functions for testing facilities, mechanics, and inspectors for the enhanced emissions program. The expansion of this program is expected to add 6 to 8 vehicle lanes for emissions testing. Additional inspection and licensing functions will occur at mobile clean screen sights and independent facilities for older vehicles. The department also processes waivers and responds to complaints. Costs are included for additional staff based on historical data, standard operating and capital expenses, and a vehicle.

In addition, the change in the definition of collector's items for the purposes of vehicle registration is effective September 1, 2009, and requires 250 hours computer programming for CSTARS. The definition change is also expected to increase the number of collector's item special licenses plates issued by 12,767 in FY 2009-10 only. Owner's who have this plate are exempt from the emissions program. The plates and tags cost \$5.25 each.

Table 3. Expenditures for the DOR Under SB09-003		
Cost Components	FY 2009-10	FY 2010-11
Personal Services	\$46,851	\$70,276
FTE	0.8	1.2
Operating Expenses and Capital Outlay	11,838	6,610
CSTARS Programming	9,658	0
License Plate Manufacturing	67,027	0
Total — DOR	\$135,374	\$76,886

Expenditures Not Included

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. The centrally appropriated costs subject to this policy are summarized in Table 4.

Table 4. Expenditures Not Included Under SB09-003*		
Cost Components	FY 2009-10	FY 2010-11
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$19,169	\$21,907
Supplemental Employee Retirement Payments	4,775	4,791
Indirect Costs	20,069	18,449
TOTAL	\$44,013	\$45,147

*More information is available at: http://www.state.co.us/gov_dir/leg_dir/lcsstaff/2009/comsched/CommonPolicies2009.pdf

Local Government Impact

County clerks retain \$0.70 for each vehicle registered in the enhanced emissions program area. Thus, counties will retain about \$90,300 in return for their assistance with the program. The counties of Larimer and Weld will be most impacted, but additional vehicles will be registered in Adams and Arapahoe counties.

State Appropriations

For FY 2009-10, the fiscal note indicates that the following cash funds appropriations are required:

Department of Public Health and Environment	
\$129,482	Cash Funds - HUTF - AIR Account and 2.0 FTE
Department of Revenue	
<u>\$125,716</u>	<u>Total and 0.8 FTE</u>
58,689	Cash Funds - HUTF - AIR Account
67,027	Cash Funds - License Plate Cash Fund

Departmental Differences Relevant to Implementation of SB09-003

Both the DOR and the DPHE identified revenue and costs associated with a rule change adopted by the AQCC in December 2008 under SB09-003. This recently adopted rule expands the AIR program to its statutory boundaries by including eastern Larimer County and the area around Greeley in Weld County. This regulatory change is expected to add approximately 290,000 vehicles to the program by 2010. SB09-003 further expands the boundary of the AIR program area to the entire 8-hour ozone non-attainment area, as identified by federal authorities. Although the revenue and costs associated with this rule change are noted below, this analysis is based on the assumption that funding to implement the rule change should be addressed through the annual budget process and not through SB09-003.

State Revenue Increase due to AQCC Rule Change. The December 2008 rule change is expected to generate cash funds revenue of \$435,000 in FY 2009-10 and \$463,750 in FY 2010-11 from AIR Emission Fees. This fee revenue will be credited to the HUTF - AIR Account. Total revenue to the HUTF - AIR Account for both the AQCC Rule Change and SB09-003 is expected to reach \$550,058 in FY 2009-10 and \$688,433 in FY 2010-11.

State Expenditures Increase due to AQCC Rule Change. Both the DPHE and the DOR will incur costs related to the rule change. The expansion of the enhanced emissions program to eastern Larimer County and the Greeley area requires the DPHE to expand its outreach and technical services including opening a technical center in northern Colorado. For FY 2009-10, additional costs of \$130,886 and 1.0 FTE are anticipated.

In addition, the AQCC rule change will require additional licensing and auditing activities for the DOR. For FY 2009-10, additional costs of \$82,114 and 1.2 FTE are anticipated. Costs increase in FY 2010-11 due to full-year implementation. Table 5 reflects anticipated costs due to the AQCC rule change. Additional information is available in the Legislative Council Staff, Fiscal Notes Section.

Table 5. Expenditures for the AQCC Rule Change		
	FY 2009-10	FY 2010-11
Department of Public Health and Environment	\$130,886	\$107,513
FTE	1.0	1.0
Department of Revenue	\$82,114	\$118,012
FTE	1.2	1.8
TOTAL	\$213,000	\$225,525

Departments Contacted

Public Health and Environment

Revenue