

**FINAL
FISCAL NOTE**

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

Date: June 9, 2009
Bill Status: Signed into Law
Fiscal Analyst: Amy Larsen (303-866-3488)

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, ALTERING CRITERIA USED TO DETERMINE WHICH COLLECTOR'S ITEMS ARE EXCLUDED FROM THE EMISSIONS TESTING PROCESS, AND MAKING AN APPROPRIATION.

Fiscal Impact Summary	FY 2009-2010	FY 2010-2011
State Revenue		
Cash Funds		
Highway Users Tax Fund - AIR* Account	\$102,570	\$199,820
License Plate Cash Fund	67,027	0
State Expenditures		
Cash Funds		
Highway Users Tax Fund - AIR* Account	\$143,845	\$184,200
Highway Users Tax Fund - CSTAR Account**	9,658	0
License Plate Cash Fund	67,027	0
FTE Position Change	2.0 FTE	3.0 FTE
Effective Date: The bill was signed by the Governor and became law on June 1, 2009.		
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 (CSTAR). 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. 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, 2010.

The bill specifies that vehicles registered in Larimer and Weld counties are not required to pass emission testing for license registration until July 1, 2010, and it clarifies that the diesel inspection program area remains unaltered. The Department of Public Health and Environment is required to cooperate with the Legislative Audit Committee's review of the remote sensing program and to delay deployment of the program until validity and viability of the program is determined.

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 \$169,597 in FY 2009-10 and \$199,820 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	114,000	\$85,500	\$171,000
AIR Inspection Fee - Expanded Area	\$0.25	47,000	0	11,750
AIR Inspection Fee - Older Vehicles	\$0.25	68,280	17,070	17,070
License Plate Cash Fund - Collector's Items	\$5.25	12,767	67,027	0
TOTAL			\$169,597	\$199,820

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 114,000 vehicles are expected to pay the fee beginning January 1, 2010 when implementation activities for the expansion are expected to begin.

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 47,000 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 68,000 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 \$217,530 and 2.0 FTE in FY 2009-10 and by \$184,200 and 3.0 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 change in definition of collector's items for the purposes of vehicle registration is expected to impact approximately 12,000 older vehicles in 2010 that fail the emission test and require repair. 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. Personal services (1.0 FTE) are included to provide this technical expertise.

In addition, preparation for the expansion of the enhanced emissions program on July 1, 2010 requires the department to expand its outreach and technical services to Weld and Larimer counties. A technician is required to serve the public in the expanded area beginning January 2010. Costs include personal services 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	\$87,845	\$117,126
FTE	1.5	2.0
Operating Expenses and Capital Outlay	11,881	1,900
Total — DPHE	\$99,726	\$119,026

Department of Revenue (DOR). 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 CSTAR. 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.

In addition, the department is required to perform licensing and auditing functions for testing facilities, mechanics, and inspectors for the enhanced emissions program in Larimer and Weld counties. 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 for travel to emission testing sites. Costs increase in FY 2010-11 based on full-implementation of the program.

Cost Components	FY 2009-10	FY 2010-11
Personal Services	\$29,282	\$58,563
FTE	0.5	1.0
Operating Expenses and Capital Outlay	11,837	6,610
CSTARS Programming	9,658	0
License Plate Manufacturing	67,027	0
Total — DOR	\$117,804	\$65,173

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.

Cost Components	FY 2009-10	FY 2010-11
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$10,269	\$15,746
Supplemental Employee Retirement Payments	3,411	6,533
Indirect Costs	16,915	20,504
TOTAL	\$30,595	\$42,783

*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. Beginning in FY 2010-11, Larimer and Weld counties will retain an estimated \$79,800 each year in return for their assistance with the program.

State Appropriations

On 2nd reading in the House, SB09-003 was amended to expand the emissions testing area and to change the beginning date for emissions tests for Weld and Larimer counties from July 1, 2011 to July 1, 2010. However, the appropriations included in the bill were not updated. The fiscal note assumes that funding requirements will be addressed through the annual budget process.

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

- Department of Public Health and Environment - \$99,726, cash funds from the HUTF-AIR Account and 1.5 FTE; and
- Department of Revenue - \$108,146 total and 0.5 FTE. Of the total, \$67,027 is cash funds from the License Plate Cash Fund and \$41,120 is cash funds from the HUTF-AIR Account.

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 FY 2010-11. 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 and Inspection Fees. This fee revenue will be credited to the HUTF - AIR Account.

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 \$85,484 and 0.8 FTE are anticipated. For FY 2010-11, costs increase to \$107,513 and 1.0 FTE based on full implementation.

In addition, the AQCC rule change will require additional licensing and auditing activities for the DOR. For FY 2009-10, additional costs of \$75,629 and 1.0 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	\$85,484	\$107,513
FTE	0.8	1.0
Department of Revenue	\$75,629	\$124,686
FTE	1.0	2.0
TOTAL	\$161,113	\$232,199

Departments Contacted

Public Health and Environment

Revenue