

*Colorado Legislative Council Staff Fiscal Note*  
**STATE and LOCAL  
 FISCAL IMPACT**

**Drafting Number:** LLS 12-0734  
**Prime Sponsor(s):** Sen. Renfroe  
 Rep. Vaad

**Date:** February 13, 2012  
**Bill Status:** Senate Transportation  
**Fiscal Analyst:** Jonathan Senft (303-866-3523)

**TITLE:** CONCERNING MOTOR VEHICLE EMISSIONS INSPECTIONS.

<b>Fiscal Impact Summary</b>	<b>FY 2012-13</b>	<b>FY 2013-14</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>
<b>State Revenue</b> HUTF - AIR Account (CDPHE)	less than (\$10,000)	less than (\$10,000)	less than (\$10,000)	less than (\$10,000)	(\$73,000)
<b>State Expenditures</b> Cash Funds	<u>\$72,886</u>				
HUTF - CSTARs Account	\$888				
HUTF - AIR Account (CDPHE)	\$71,997	\$71,997			
<b>FTE Position Change</b>	1.0 FTE	1.0 FTE			
<b>Effective Date:</b> August 8, 2012, if the General Assembly adjourns on May 9, 2012, as scheduled, and no referendum petition is filed.					
<b>Appropriation Summary for FY 2012-2013:</b> See State Appropriations section.					
<b>Local Government Impact:</b> See Local Government Impact section.					

**Summary of Legislation**

This bill extends the time period in which newer vehicles are exempt from emissions testing. Under current law, vehicles under four years old are exempt. This bill allows vehicles under eight years old to be exempted. This bill only applies to vehicles registering for the first time; it does not apply to vehicles currently registered in the enhanced emissions program.

**State Revenue**

By expanding the pool of vehicles that are exempt from emissions testing requirements, this bill will reduce state revenue from fees beginning in FY 2012-13. The Department of Public Health and Environment (CDPHE) collects a fee of 25 cents for each vehicle that passes an emissions test. Because the bill affects only vehicles registered in the program area for the first time, the revenue reduction is assumed to be less than \$10,000 per year through FY 2015-16. This initial impact results from vehicles aged 4-8 years old that are registering for the first time in Colorado, such as out of state registrants. Beginning in FY 2016-17, the reduction is estimated to be \$73,000 per year, assuming 292,000 vehicles are exempt. This reduction is estimated from historical data showing the number of passing vehicles each year, by model year.

In addition, the four-model-year exemption is a provision in the State Implementation Plan (SIP). States prepare SIPs and submit them to Environmental Protection Agency for approval in order to meet specific requirements of the federal Clean Air Act, including the requirement to attain and maintain the National Ambient Air Quality Standards (NAAQS). These agreements are tied to federal grant money. Any changes to these agreements could result in a loss to these federal funds, although the amount cannot be quantified at the time of this writing.

**State Expenditures**

This bill will increase state expenditures \$72,886 and 1.0 FTE in FY 2012-13 and \$71,997 and 1.0 FTE in FY 2013-14. Table 1 describes these costs, which would be paid from various accounts in the Highway Users Tax Fund.

<b>Cost Components</b>	<b>FY 2012-13</b>	<b>FY 2013-14</b>
Personal Services (CDPHE)	\$71,997	71,997
FTE	1.0	1.0
IT Costs (Revenue)	888	0
<b>TOTAL</b>	<b>\$72,886</b>	<b>\$71,997</b>

*Department of Public Health and Environment (CDPHE).* As mentioned above, the four-model-year exemption is part of Colorado's State Implementation Plan (SIP). Increasing the number of vehicles that are exempt from the vehicle emissions program will require a renegotiation of the SIP. This task requires staff from the department's environmental protection specialists, whose duties include rule review, conducting and negotiating stakeholder meetings and representing the department in hearings. This work costs \$71,997 and 1.0 FTE per year in both FY 2012-13 and FY 2013-14.

*Department of Revenue (DOR).* The department requires reprogramming changes to its emissions testing software. This will result in costs \$888 in FY 2012-13, which will be reappropriated to the Governor's Office of Information Technology.

*Department of Law.* The Department of Law will provide additional counsel to CDPHE concerning the revisions of the SIP. Additionally, the Department of Law will counsel the Air Quality Control Commission on procedural issues. This work will entail 110 hours in the first year and 85 hours in the second year. Any costs associated with this work will be covered by existing appropriations within CDPHE.

**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 2.

<b>Table 2. Expenditures Not Included Under SB12-126*</b>		
<b>Cost Components</b>	<b>FY 2012-13</b>	<b>FY 2013-14</b>
Employee Insurance (Health, Life, Dental, and Short-term Disability)	\$7,100	\$7,100
Supplemental Employee Retirement Payments	3,002	3,537
<b>TOTAL</b>	<b>\$10,102</b>	<b>\$10,637</b>

\*More information is available at: <http://colorado.gov/fiscalnotes>

### **Local Government Impact**

In FY 2016-17 and each year thereafter, local government revenue is expected to decrease by \$204,400 per year. County clerks retain \$0.70 for each passing vehicle registered in the enhanced emissions areas.

### **Departmental Differences**

*Department of Public Health and Environment.* The department assumes any increase in the number of vehicle exemptions will trigger a revision to the State Implementation Plan (SIP), which then requires the development of alternative strategies to compensate for any air pollution increase. It is the department's position that a further \$33,647 and 0.5 FTE are required to handle the development of these new strategies. This fiscal note includes costs for the revision of the SIP, but does not assume that any development from the revision will guarantee a need for additional staffing. It may be that any revision would require additional staffing, however it is not possible to assess the impact until the revision is identified. Additional costs associated with this process may be addressed through the annual budgeting process.

### **State Appropriations**

In FY 2012-13 appropriations should be adjusted as follows:

- Increase the HUTF AIR Cash Fund to the CDPHE by \$71,997 and 1.0 FTE; and
- Increase the HUTF - CSTARS Account to the Department of Revenue by \$888, which will be reappropriated to the Governor's Office of Information Technology.

### **Departments Contacted**

Public Health and Environment      Revenue