



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

Drafting Number: LLS 13-0590
Prime Sponsor(s): Rep. Saine
 Sen. Lundberg

Date: February 5, 2013
Bill Status: House Transportation & Energy
Fiscal Analyst: Jonathan Senft (303-866-3523)

TITLE: CONCERNING AN AUTHORIZATION FOR A BOARD OF COUNTY COMMISSIONERS TO EXCLUDE ITS COUNTY FROM THE ENHANCED AUTOMOBILE INSPECTION AND READJUSTMENT EMISSIONS PROGRAM AREA IF THE EXCLUDED COUNTY DOES NOT VIOLATE APPLICABLE NATIONAL AMBIENT AIR QUALITY STANDARDS.

Fiscal Impact Summary	FY 2013-2014	FY 2014-2015
State Revenue Cash Funds HUTF AIR Cash Funds	* \$196,640	* \$196,640
State Expenditures Cash Funds HUTF AIR Cash Funds	* \$80,423	* \$80,423
FTE Position Change		
Effective Date: August 7, 2013, if the General Assembly adjourns on May 8, 2013, as scheduled, and no referendum petition is filed.		
Appropriation Summary: None required.		
Local Government Impact: See Local Government Impact section.		

* These figures assume that vehicle emissions inspection area of Larimer and Weld Counties is exempt from the vehicle emissions testing program, and that the region does not violate federal air quality standards.

Summary of Legislation

This bill allows counties, or parts of counties, to be exempt from vehicle emissions testing, provided the exempted area is not in violation of national carbon monoxide limits or ozone limits established by the Environmental Protection Agency. The board of county commissioners may designate the exemption from the Automobile Inspection and Readjustment (AIR) program after it has been determined that the exempted area is in compliance with ambient air quality standards.

Background

The AIR program is designed to reduce air pollution through the regular inspection of vehicles. It is one component of the state's plan for implementing the federal Clean Air Act. Vehicles registered in the inspection area, which covers several counties along the front range, must meet established criteria for emissions of carbon monoxide, nitrogen oxides and hydrocarbons. To

ensure attainment within these standards, vehicles are required to undergo 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. The AIR Program was expanded in 2010 to screen vehicles from areas within Larimer and Weld Counties in order to address violations of national ground-level ozone standards in Denver and the northern front range. The program is run by both the Department of Revenue (DOR) and the Department of Public Health and Environment (DPHE).

State Revenue

The impact of this bill is deemed conditional for two reasons. First, any potential impact depends on a county taking action to exempt a region from the emissions testing program. Second, the exemption only applies if the region does not violate federal air quality standards.

Exempting portions of the state from emissions testing program requirements will reduce state revenue. The actual reduction is unknown, but will depend on a county electing to exempt a region and that region not violating federal air quality standards. For illustrative purposes, and because Larimer and Weld have measurable portions of counties within the testing area, the exemption of these portions would reduce state revenue by \$196,640 per year.

**Table 1. Reduced State Revenue and Fee Impact Under HB 13-1128,
Assuming Larimer and Weld County Portions are Exempt from the AIR Program**

Type of Fee	Current Fee	Number Affected *	Fee Impact
State Fee - Air Account (DOR)	\$1.00	129,360	(\$129,360)
State Fee - Air Account (\$0.25 DPHE and DOR each)	\$.50	129,360	(64,680)
Exempt Stickers for Dealers - Air Account (DOR)**	\$.25	10,400	(2,600)
Total			(\$196,640)

* These numbers represent vehicles in Larimer and Weld Counties that are currently within the vehicle emissions inspection area.

** This amount is not paid by vehicle owners undergoing regular emissions testing, but an amount paid by vehicle dealers, who pay \$0.25 for each vehicle-exempt sticker.

AIR inspection fee. Vehicle owners in the emission program area pay a total fee of \$2.20 as part of annual registration, \$0.70 of which is retained by the county (see Local Government Impact section below). Therefore, for each passing inspection, the state retains \$1.50. Of this amount, \$1.25 is credited to the DOR HUTF-AIR Cash Fund, and \$0.25 is credited to DPHE HUTF-AIR Cash Fund.

Emission-Exempt Stickers. Revenue is collected from new car dealers in the inspection area for emission-exempt stickers, which is distributed to the DOR HUTF-AIR Cash Fund. The amount received for exempt stickers is \$0.25 each. An estimated 10,400 new vehicles sales occur in the Larimer -Weld inspection area annually.

State Expenditures

The impact of this bill is deemed conditional for two reasons. First, any potential impact depends on a county taking action to exempt a region from the emissions testing program. Second, the exemption only applies if the region does not violate federal air quality standards. Because of these conditions, it is assumed that any change in expenditures will be addressed through the annual budget process.

The bill will reduce state expenditures if any region is exempted from the AIR program testing requirements. For example, exempting vehicles in the vehicle emissions inspection area of Larimer and Weld Counties would reduce state expenditures by \$80,423 per year and 1.4 FTE. In this scenario, reduced expenditures would occur in both the DPHE and DOR as described below.

Table 2. Reduced Expenditures Under HB 13-1128, Assuming Portions of Larimer and Weld Counties are Exempt	
Cost Components	FY 2013-14*
Personal Services (DPHE) 0.6 FTE	(\$34,920)
Personal Services (DOR) 0.8 FTE	(45,503)
Total FTE - (1.4 FTE)	(\$80,423)

* The actual timing of the impact will depend on several factors.

Department of Public Health and Environment (DPHE). When private sector mechanics are unable to identify the problem on a vehicle, department staff assists owners by diagnosing the cause of excess emissions and help to determine an appropriate course of repair. Exempting vehicle owners in portions of Larimer and Weld Counties could reduce workforce needs in the DPHE by \$34,920 and 0.6 FTE.

In addition, the DPHE could incur costs if counties are able exclude areas that currently require emissions testing under the State Implementation Plan (SIP) in the form of legal costs associated with resolving the conflict between state and federal law. This development could also jeopardize federal funds received by the state. Because of the number of variables in this circumstance, these costs are not estimated at this time.

Department of Revenue (DOR). The DOR performs licensing and auditing functions for testing facilities, mechanics, and inspectors for the emissions program in Larimer and Weld Counties. Exempting these vehicle owners could reduce the department workforce by (\$45,503) and (0.8 FTE).

Local Government Impact

The bill grants counties the ability to exempt all or portions of the county from the AIR program. Any county that elects to exempt a region will see a reduction in registration fees. For example, exempting the vehicle inspection areas of Larimer and Weld Counties would reduce revenue to those two counties by \$90,552 per year. County clerks retain \$0.70 for each vehicle registered in the enhanced emissions program area.

Table 3. Reduced Local Revenue and Fee Impact Under HB 13-1128			
Type of Fee	Current Fee	Number Affected *	Fee Impact
County Air Emission Fee - Local Government	\$.70	129,360	(\$90,552)

* These numbers represent vehicles in Larimer and Weld Counties that are currently subject to the AIR program.

Departments Contacted

Public Health and Environment Revenue