

**FINAL  
FISCAL NOTE**

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<b>Drafting Number:</b> LLS 14-0060	<b>Date:</b> May 28, 2014
<b>Prime Sponsor(s):</b> Rep. Ryden	<b>Bill Status:</b> Signed into Law
Sen. Tochtrop	<b>Fiscal Analyst:</b> Kristen Koehler (303-866-4918)

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**SHORT TITLE:** EMISSIONS PROGRAM AUDIT CYCLE

<b>Fiscal Impact Summary</b>	<b>FY 2014-2015</b>	<b>FY 2015-2016</b>
<b>State Revenue</b>		
<b>State Expenditures</b>	See State Expenditures section.	
<b>FTE Position Change</b>		
<b>Appropriation Required:</b> None.		

**Summary of Legislation**

This bill, recommended by the Legislative Audit Committee, changes the frequency with which the Office of the State Auditor must audit the emissions program for motor vehicles. Current law requires that the performance audit be completed once every three years. This bill changes the audit frequency to once every five years and requires the first audit to be completed no later than January 1, 2018.

**Background**

The General Assembly established the Automobile Inspection and Readjustment Program (AIR) in 1980 to reduce vehicle emissions and to meet federal air quality standards. The Environmental Protection Agency (EPA) requires states to implement pollution reduction strategies in populated areas that fail to meet national standards for ozone or carbon monoxide. The AIR program area currently includes all of Broomfield, Boulder, Denver, Douglas, and Jefferson counties and parts of Adams, Arapahoe, Larimer, and Weld counties. Vehicles registered in the program area are required to pass periodic emissions inspections, or be repaired if the vehicle cannot pass the inspection, prior to renewing the vehicle's registration. The program is administered by the Colorado Department of Public Health and Environment (CDPHE) and the Colorado Department of Revenue (DOR).

The purpose of the AIR program audit is to determine the ongoing public need for the program using statutorily established factors, such as the program's impact on ambient air quality, the program's cost effectiveness in relation to other air pollution control measures, and the need for further reductions in pollution to meet national air quality standards. The most recent audit of the program was completed by the Office of the State Auditor (OSA) in November 2012. Under current law, the next program audit would need to be completed by January 1, 2016.

### **State Expenditures**

Reducing the frequency by which the emission testing program is audited will both reduce costs overall, and shift workload and expenditures among various fiscal years beginning in FY 2015-16.

**OSA.** The OSA currently contracts for the AIR program audit, at a cost of approximately \$140,000, every three years. Moving the audit from a three-year to a five-year cycle will reduce costs for this function in FY 2015-16 but increase costs in FY 2017-18. However, the OSA does not receive a separate appropriation for this function, instead using ongoing appropriations to cover all required audit functions. Therefore, no change in appropriations is warranted.

**CDPHE.** The CDPHE is responsible for the technical aspects of the program, including maintaining and analyzing emissions inspection data, reporting emissions data to the Colorado Air Quality Control Commission, and administering licensing tests for emissions inspectors and mechanics. The CDPHE works closely with the OSA and contracted firms to provide relevant information for audit purposes; the audit generally takes about seven months to complete. Lessening the audit frequency from every three years to every five years will change the frequency with which the CDPHE must provide information for audit purposes and will reduce workload in those years where an audit would have otherwise occurred under current law.

**DOR.** The DOR is responsible for the oversight of the emissions testing facilities including issuing facility and inspector licenses and performing periodic audits of emissions inspection facilities to ensure compliance with rules and regulations. The DOR provides information that is used during the audit of the AIR program; however, the DOR is not the focus of the audit. Lessening the audit frequency from every three years to every five years will change the frequency with which the DOR must provide information for audit purposes and will reduce workload in those years where an audit would have otherwise occurred under current law.

### **Effective Date**

This bill was signed into law by the Governor on April 25, 2014 and takes effect August 6, 2014, assuming no referendum petition is filed.

### **State Appropriations**

No adjustments in appropriations are required as a result of this bill.

### **State and Local Government Contacts**

Public Health and Environment

State Auditor

Revenue