

**FINAL
FISCAL NOTE**

Drafting Number: LLS 12-0185

Date: July 9, 2012

Prime Sponsor(s): Rep. Vaad
Sen. Tochtrop

Bill Status: Postponed Indefinitely

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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 2012-2013	FY 2013-2014
State Revenue		
Cash Funds		
HUTF AIR Cash Fund	* (\$681,710)	* (\$681,710)
State Expenditures		
Cash Funds		
HUTF AIR Cash Fund	* (\$275,664)	* (\$275,664)
FTE Position Change	* (4.8 FTE)	* (4.8 FTE)
Effective Date: The bill was postponed indefinitely by the Senate State, Veterans & Military Affairs Committee on April 23, 2012.		
Appropriation Summary for FY 2012-2013: None required. See State Appropriation section.		
Local Government Impact: See Local Government Impact section.		

** These figures assume that the entire region comprising 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.

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.

Background

The AIR program is designed to reduce air pollutants through the regular inspection and repair of high polluting vehicles. 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 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. The AIR Program was expanded to screen vehicles from areas within Larimer and Weld Counties in November 2010 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

Exempting portions of the state from emissions testing program requirements will reduce both state revenue and state expenditures. *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, exempting all of Larimer and Weld Counties would reduce state revenue by \$681,710 per year and state expenditures by \$275,664 and 4.8 FTE.

Table 1. Reduced State Revenue Under HB 12-1103, Assuming Larimer and Weld Counties are Exempt from the AIR Program			
Type of Fee	Current Fee	Number Affected *	Fee Impact
State Fee - Air Account (DoR)	\$1.00	420,315	(\$420,315)
Passing vehicle fee - Air Account (DoR)	\$.25	194,547	(48,637)
Exempt Stickers for Dealers - Air Account (DoR)	\$.25	10,400	(2,600)
State Fee - Air Account (DPHE)	\$.50	420,315	(210,157)
Total			(\$681,710)

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

AIR Inspection Fee. Vehicle owners in the emission program area pay a fee of \$2.20 as part of annual registration. Of the fee, \$1 is credited to the DoR HUTF-AIR Cash Fund, and \$0.50 is credited to DPHE HUTF-AIR Cash Fund. The remaining \$0.70 is retained by the county.

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 bill will reduce state expenditures if any region is exempted from the AIR program testing requirements. For example, exempting all of Larimer and Weld Counties will reduce state expenditures by \$275,664 per year and 4.8 FTE. Reduced expenditures are anticipated in both the DoR and the DPHE as described below.

Cost Components	FY 2013-14
Personal Services (DPHE) 2.0 FTE	(\$116,403)
Personal Services (DoR) 2.8 FTE	(159,261)
Total FTE - (4.8 FTE)	(\$275,664)

Department of Public Health and Environment (DPHE). When 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. Exempting vehicle owners in Larimer and Weld Counties is estimated to reduce workforce needs in the DPHE by \$116,403 and 2.0 FTE.

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 is expected to reduce the department workforce by (\$159,261) and (2.8 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 Larimer and Weld Counties would reduce revenue to those two counties by \$294,220 per year. County clerks retain \$0.70 for each vehicle registered in the enhanced emissions program area.

Type of Fee	Current Fee	Number Affected *	Fee Impact
County Air Emission Fee - Local Government	\$.70	420,315	(\$294,220)

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

State Appropriations

No change in appropriations is required unless and until a county exempts a region from the AIR program. If both Larimer and Weld Counties were to become exempt on or before July 1, 2012, the following appropriations would be required:

- Reduce the HUTF-AIR Cash Fund to the DoR by \$116,403 and 2.0 FTE, and
- Reduce the HUTF-AIR Cash Fund to the CDPHE by \$159,261 and 2.8 FTE.

Actual appropriations adjustments will be addressed through the annual budget process.

Departments Contacted

Public Health and Environment

Revenue