



## Fiscal Note

### Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

## BILL 1: VEHICLE EMISSION MEASURES

---

**Prime Sponsors:**

**Fiscal Analyst:**

Matt Bishop, 303-866-4796

matt.bishop@coleg.gov

**Published for:** Bill Request

**Version:** Interim Fiscal Note

**Drafting number:** LLS 25-0230

**Date:** September 23, 2024

**Fiscal note status:** The fiscal note reflects the bill draft requested by the Transportation Legislation Review Committee.

---

### Summary Information

**Overview.** The bill creates programs to reduce emissions of ozone precursors and authorizes a capital project.

**Types of impacts.** The bill is projected to affect the following areas on an ongoing basis:

- State Revenue
- State Expenditures
- TABOR Refunds
- Local Government

**Appropriations.** For FY 2025-26, the bill requires appropriations totaling \$1,131,181 to multiple state agencies.

---

**Table 1**  
**State Fiscal Impacts**

Type of Impact <sup>1</sup>	Budget Year FY 2026-26	Out Year FY 2026-27	Out Year FY 2027-28
State Revenue	\$0	\$8,100,000	\$8,100,000
State Expenditures	\$1,205,258	\$8,153,064	\$14,035,635
Transferred Funds	\$0	\$0	\$0
Change in TABOR Refunds	\$0	\$7,875,000	\$7,875,000
Change in State FTE	4.5 FTE	61.7 FTE	66.6 FTE

<sup>1</sup> Fund sources for these impacts are shown in the tables below.

**Table 1A  
State Revenue**

<b>Fund Source</b>	<b>Budget Year FY 2025-26</b>	<b>Out Year FY 2026-27</b>	<b>Out Year FY 2027-28</b>
General Fund	\$0	\$0	\$0
Indirect Sources Control Fund	\$0	\$8,100,000	\$8,100,000
<b>Total Revenue</b>	<b>\$0</b>	<b>\$8,100,000</b>	<b>\$8,100,000</b>

**Table 1B  
State Expenditures**

<b>Fund Source</b>	<b>Budget Year FY 2025-26</b>	<b>Out Year FY 2026-27</b>	<b>Out Year FY 2027-28</b>
General Fund	\$1,131,178	\$8,045,813	\$71,095
Cash Funds	\$0	\$700,000	\$14,182,366
Federal Funds	\$0	\$0	\$0
Centrally Appropriated	\$74,080	\$12,174	\$12,174
<b>Total Expenditures</b>	<b>\$1,205,258</b>	<b>\$8,757,987</b>	<b>\$14,265,635</b>
<b>Total FTE</b>	<b>4.5 FTE</b>	<b>61.7 FTE</b>	<b>66.6 FTE</b>

## Summary of Legislation

The bill establishes a variety of requirements to reduce emissions of ozone precursors in the state’s ozone nonattainment area.

### Indirect Emissions Sources

The bill authorizes the Department of Public Health and Environment (CDPHE) to adopt rules limiting emissions in the nonattainment area from indirect sources, which are sites that generate or attract mobile sources of ozone precursor emissions including roads, parking facilities, and buildings. The rules may specify methods of tracking and mitigating emissions, emissions reduction targets, and alternative compliance approaches. The department may review and update the rules annually, and may establish a fee on indirect sources to cover its direct and indirect costs, which accrue to the newly created Indirect Sources Control Fund.

### Motor Vehicle Emissions Inspections

Under current law, an emissions testing facility can charge a fee of no more than \$25. The bill raises the fee maximum to \$35, which is adjusted annually for inflation, and directs CDPHE to renegotiate or renew existing contracts in FY 2024-25 to incorporate the new fee maximum, increase testing stations, and expand Clean Screen inspection units.

## **Vehicle Emission Budgets**

CDPHE must develop annual budgets for nitrogen oxides and volatile organic compounds from 2026 through 2050 for on- and off-road vehicles in the ozone nonattainment area. The budgets must decrease every five years and the department must report on the budgets in its annual SMART Act hearing.

## **Petroleum Fuel Laboratory Relocation**

The bill permits the Department of Labor and Employment (CDLE) to reserve money in its Petroleum Storage Tank Fund to construct a new facility for the Division of Public Safety's Fuel Lab. The proposed facility includes a laboratory, an engine room, a classroom, office space, and a workshop.

## **Assumptions**

---

The bill directs CDPHE to adopt rules for one or more categories of indirect sources, which the bill identifies as warehouses, highways and roads, parking facilities, construction sites, airports, medical and educational facilities, and residential, retail, commercial, and industrial developments and facilities. The fiscal note assumes that CDPHE will only adopt rules for one category—warehouses—in FY 2025-26. If the department adopts rules for additional categories of indirect sources, in FY 2025-26 or in the future, its state revenue and expenditures will increase to collect fees from regulated entities and to administer additional permitting and inspection programs.

## **State Revenue**

---

The bill increases state revenue to the Indirect Sources Control Fund from permit applications beginning in FY 2026-27, and state revenue collected by the Clean Screen Authority, a state enterprise, for fees for emissions inspections beginning in FY 2025-26.

## **Fee Impact on Warehouse Owners**

Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. These fee amounts are estimates only, actual fees will be set administratively by CDPHE based on cash fund balance, program costs, and the number of permits subject to the fee. The fiscal note assumes that there are 9,000 warehouses subject to the fee, and that permits will roll out over a three-year period. This fee revenue is subject to TABOR. The table below identifies the fee impact of this bill.

**Table 2A  
Fee Impact on Warehouse Owners**

<b>Fiscal Year</b>	<b>Type of Fee</b>	<b>Estimated Fee</b>	<b>Number Affected</b>	<b>Total Fee Impact</b>
FY 2025-26	<i>No fee collected</i>	\$0	0	<b>\$0</b>
FY 2026-27	Indirect Source Fee	\$900	9,000	<b>\$8,100,000</b>
FY 2027-28	Indirect Source Fee	\$900	9,000	<b>\$8,100,000</b>

**Fee Impact on Front Range Vehicle Owners**

Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. The bill authorizes up to a \$10 fee increase for emissions inspections that are required for Boulder, Broomfield, Denver, Douglas, and Jefferson counties, and in portions of Adams, Arapahoe, Larimer and Weld counties. Actual fees will be set administratively by the Clean Screen Authority. Table 2B assumes 1 million paid emissions inspections, based on 2022 annual reporting. First-year costs are prorated for 10 months of fee impact.

**Table 2B  
Fee Impact on Front Range Vehicle Owners**

<b>Fiscal Year</b>	<b>Type of Fee</b>	<b>Fee Increase</b>	<b>Number Affected</b>	<b>Total Fee Impact</b>
FY 2025-26	Emissions Inspection Fee	\$10	833,333	<b>\$8,333,333</b>
FY 2026-27	Emissions Inspection Fee	\$10	1,000,000	<b>\$10,000,000</b>

**State Expenditures**

The bill increases state expenditures by \$1.2 million in FY 2025-26, \$8.8 million in FY 2026-27, and \$14.3 million in FY 2027-28. These costs will be incurred primarily in the Department of Public Health and Environment, the Colorado Energy Office, and the Department of Labor and Employment, as shown in Tables 2A to 2C and described in the sections below.

**Table 3  
State Expenditures  
All Departments**

<b>Department</b>	<b>Budget Year FY 2025-26</b>	<b>Out Year FY 2026-27</b>	<b>Out Year FY 2027-28</b>
Department of Public Health and Environment	\$1,121,989	\$7,974,718	\$8,082,366
Colorado Energy Office	\$76,369	\$76,369	\$76,369
Department of Labor and Employment	\$0	\$700,000	\$6,100,000
Department of Personnel and Administration	\$6,900	\$6,900	\$6,900
<b>Total Costs</b>	<b>\$1,205,258</b>	<b>\$8,757,987</b>	<b>\$14,265,635</b>

### Department of Public Health and Environment

The bill increases expenditures in the CDPHE beginning in FY 2025-26 to conduct rulemaking, establish the indirect sources regulatory program, review permit applications, inspect facilities, and enforce violations. Costs are paid from the General Fund in the first two years until revenue accrues to the Indirect Sources Control Fund; costs are paid from the cash fund in future years.

#### Staff

CDPHE requires 2.9 FTE additional staff to create the indirect sources regulatory program and establish the vehicle emissions budgets in FY 2025-26. Once the indirect sources program is established, workload will increase to 43.0 FTE to process initial emissions permits for all regulated entities, 14.0 FTE to conduct inspections for compliance, and 5.7 FTE to engage in enforcement activities as necessary. Costs include standard operating and capital outlay and they have been prorated for the bill's effective date.

The workload shown in the fiscal note assumes a staggered uptake of initial applications over three years, with total workload decreasing to 37.2 FTE beginning in FY 2028-29 as the rate of new applications abates.

#### Information Technology

In order to track indirect sources of emissions, CDPHE requires information technology improvements. Costs assume a three-year implementation window at roughly \$250,000 per year. Ongoing system maintenance and operation costs are estimated at \$156,000 per year.

#### Research

CDPHE requires contracted research studies to support rulemaking efforts, estimated at \$75,000 for the indirect sources program and the vehicle emissions budgets in FY 2025-26 only.

### Legal services

CDPHE requires 2,040 hours of legal services in FY 2025-26 and 1,640 hours in subsequent years to provide general counsel, support rulemaking, and meet federal Environmental Protection Agency requirements. Legal services are provided by the Department of Law at a rate of \$133.74 per hour.

### Employee Insurance and Supplemental Retirement

Pursuant to fiscal note and Joint Budget Committee policy, centrally appropriated costs for bills involving more than 20 FTE are appropriated in the bill, rather than through the annual budget process. These costs, which are shown in Table 3A, include employee insurance and supplemental employee retirement payments.

**Table 3A  
State Expenditures  
Department of Public Health and Environment**

<b>Cost Component</b>	<b>Budget Year FY 2025-26</b>	<b>Out Year FY 2026-27</b>	<b>Out Year FY 2027-28</b>
Personal Services	\$275,861	\$5,580,673	\$6,014,060
Operating Expenses	\$3,712	\$77,184	\$83,456
Capital Outlay Costs	\$26,680	\$413,540	\$0
Information Technology	\$406,000	\$406,000	\$386,000
Research	\$75,000	\$0	\$0
Legal Services	\$272,830	\$224,683	\$224,683
Employ. Insurance & Supp. Retirement	\$0	\$1,272,638	\$1,374,167
Centrally Appropriated Costs	\$61,906	\$0	\$0
FTE – Personal Services	2.9 FTE	60.3 FTE	65.2 FTE
FTE – Legal Services	1.1 FTE	0.9 FTE	0.9 FTE
<b>Total Costs</b>	<b>\$1,121,989</b>	<b>\$7,974,718</b>	<b>\$8,082,366</b>
<b>Total FTE</b>	<b>4.0 FTE</b>	<b>61.2 FTE</b>	<b>66.1 FTE</b>

### Colorado Energy Office

CEO requires 0.5 FTE from FY 2025-26 through FY 2027-28 to support the rulemaking activities in the bill.

**Table 3B  
State Expenditures  
Colorado Energy Office**

<b>Cost Component</b>	<b>Budget Year FY 2025-26</b>	<b>Out Year FY 2026-27</b>	<b>Out Year FY 2027-28</b>
Personal Services	\$63,555	\$63,555	\$63,555
Operating Expenses	\$640	\$640	\$640
Centrally Appropriated Costs	\$12,174	\$12,174	\$12,174
<b>Total Costs</b>	<b>\$76,369</b>	<b>\$76,369</b>	<b>\$76,369</b>
<b>Total FTE</b>	<b>0.5 FTE</b>	<b>0.5 FTE</b>	<b>0.5 FTE</b>

### Department of Labor and Employment

The cost to replace the petroleum laboratory is estimated at \$6.8 million across FY 2026-27 and FY 2027-28. Actual costs will be determined by CDLE through the project planning process based on programmatic needs and available funds reserved.

**Table 3C  
State Expenditures  
Department of Labor and Employment**

<b>Cost Component</b>	<b>Budget Year FY 2025-26</b>	<b>Out Year FY 2026-27</b>	<b>Out Year FY 2027-28</b>
Project Costs	\$0	\$700,000	\$6,100,000
<b>Total Costs</b>	<b>\$0</b>	<b>\$700,000</b>	<b>\$6,100,000</b>
<b>Total FTE</b>	<b>0.0 FTE</b>	<b>0.0 FTE</b>	<b>0.0 FTE</b>

### Other State Agencies

The bill increases expenditures in state agencies that register vehicles in the ozone nonattainment area beginning in FY 2025-26, and in those that own a warehouse beginning in FY 2026-27. Expenditures in the Department of Personnel and Administration, which manages the state fleet, are expected to increase by \$6,900 per year beginning in FY 2025-26, paid from the General Fund.

### Centrally Appropriated Costs

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. These costs, which include employee insurance and supplemental employee retirement payments, are shown in the expenditure table(s) above.

## **TABOR Refunds**

---

The bill is expected to increase the amount of state revenue required to be refunded to taxpayers by the amounts shown in the State Revenue section above. This estimate assumes the September 2024 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2026-27. Because TABOR refunds are paid from the General Fund, increased cash fund revenue will reduce the amount of General Fund available to spend or save.

## **Local Government**

---

To the extent that local government entities own indirect sources of emissions or vehicles registered in the ozone nonattainment area, their expenditures will increase to attain emissions permits and to pay the higher fee for vehicle emissions inspections.

## **Technical Note**

---

The short rulemaking timeline in the bill may not be feasible for CDPHE and may delay implementation of the indirect sources regulatory program. If rulemaking is not completed by December 31, 2025, some of the revenue and expenditure impacts in the fiscal note may be delayed, and additional General Fund may be required until permit fees can be collected.

## **Effective Date**

---

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

## **State Appropriations**

---

For FY 2025-26, the bill requires the following General Fund appropriations

- \$1,060,083 to the Department of Public Health and Environment, and 2.9 FTE; of this, \$272,830 is reappropriated to the Department of Law, with an additional 1.1 FTE, and \$200,000 is reappropriated to the Office of Information Technology;
- \$64,195 to the Colorado Energy Office, and 0.5 FTE; and
- \$6,900 to the Department of Personnel and Administration.



## Departmental Difference

---

The fiscal note does not include certain department-identified costs, as follows:

- CDPHE and the Office of Information Technology (OIT) assume that \$730,000 is required in FY 2025-26 for computer programming to be performed by OIT on behalf of CDPHE related to emissions tracking with roll-forward spending authority for three fiscal years; the fiscal note instead assumes since the work will take place over multiple fiscal years, it is not necessary to appropriate the total from the General Fund in FY 2025-26; and
- the Colorado Energy Office assumes that it requires \$50,000 per year in FY 2025-26 and FY 2026-27 to perform technical analyses; the fiscal note assumes these costs are redundant to similar work performed by CDPHE.

## State and Local Government Contacts

---

Colorado Energy Office Labor	Personnel
Law	Public Health and Environment
Legislative Council Staff	Treasury

---

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).