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FISCAL NOTE

Drafting Number: LLS 18-1017 Date: April 11, 2018
Prime Sponsors: Sen. Cooke; Holbert Bill Status: Senate Transportation
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Bill Topic: 4-YEAR MOTOR VEHICLE EMISSIONS INSPECTION CYCLE

- Summary of Fiscal Impact: State Revenue, State Expenditure, State Transfer, TABOR Refund, Local Government, Statutory Public Entity

This bill extends the emissions inspection cycle for model year 1982 and newer vehicles from two to four years. This reduces state revenue on an ongoing basis and increases state expenditures for two fiscal years.

Appropriation Summary: The bill requires an appropriation of \$527,374 to the Department of Public Health and Environment.

Fiscal Note Status: The fiscal note reflects the introduced bill.

Table 1 State Fiscal Impacts Under SB 18-181

Table with 4 columns: Category, Sub-category, FY 2018-19, FY 2019-20. Rows include Revenue (HUTF, Total), Expenditures (General Fund, Centrally Appropriated, Total, Total FTE), Transfers, and TABOR Refund (General Fund).

Summary of Legislation

This bill extends the emissions inspection cycle for model year 1982 and newer vehicles from two to four years. In addition, rules of the Air Quality Control Commission in the Colorado Department of Public Health and Environment (CDPHE) must not prohibit issuance of a certification of emissions compliance based solely on the check-engine light being illuminated on a vehicle's dashboard.

Background

In Colorado, a new vehicle is exempt from emissions testing for seven years, inspected in the eighth year, and then every two years thereafter. The first two inspections utilize the computerized on-board diagnostics (OBD) of the vehicle which stores trouble codes when a vehicle is having an emissions-related problem. On average, 7.34 percent of vehicles fail the OBD test. Later inspections are done with a tailpipe emissions test and remote sensing equipment. Vehicle emissions inspections are conducted by a private contractor who collects the \$25 test fee. Of this, the state receives \$0.25 that funds the CDPHE and the Department of Revenue. Counties collect \$0.83 per clean-screened vehicle and the state collects \$0.07.

Assumptions

The fiscal note assumes that the change to the inspection cycle and elimination of the check-engine light fail will increase emissions to the extent that the state will need to update its State Implementation Plan to comply with the federal Clean Air Act administered by the Environmental Protection Agency.

State Revenue

The bill will reduce state revenue from inspection fees by \$106,333 in FY 2018-19 and \$116,000 in FY 2019-20 to the Automobile Inspection and Readjustment Account of the Highway Users Tax Fund. This reduction is based on reducing vehicle emissions tests by half compared to current levels.

TABOR Refund

This bill reduces state revenue from fees, which will reduce the amount of money required to be refunded under TABOR for FY 2018-19 and FY 2019-20. Since the bill reduces the TABOR refund obligation without a corresponding change in General Fund revenue, the amount of money available in the General Fund for the budget will increase by an identical amount. State revenue subject to TABOR is not estimated for years beyond FY 2019-20.

State Expenditures

This bill increases General Fund expenditures by \$611,509 and 2.9 FTE in FY 2018-19 and \$626,570 and 3.8 FTE in FY 2019-20. These costs are shown in Table 2 and explained below.

**Table 2
 Expenditures Under SB 18-181**

	FY 2018-19	FY 2019-20
Department of Public Health and Environment		
Personal Services	\$205,807	\$268,137
Operating Expenses and Capital Outlay Costs	\$21,567	\$3,610
Modeling Demonstration Contract	\$300,000	\$300,000
Centrally Appropriated Costs*	\$84,135	\$54,823
FTE – Personal Services	2.9 FTE	3.8 FTE
Total Cost	\$611,509	\$626,570
Total FTE	2.9 FTE	3.8 FTE

* Centrally appropriated costs are not included in the bill's appropriation.

The CDPHE will update the State Implementation Plan during FY 2018-19 and FY 2019-20. This work involves revising the emissions inventory; working with a contractor to revise and run air quality modeling; determining whether and what additional control measures are necessary; working with stakeholders; and developing attainment demonstrations. In addition to personal services, operating and capital outlay costs, the CDPHE requires a modeling contract at a cost of \$300,000 per year. Personal services costs are prorated in the first year to account for the General Fund paydate shift and the August effective date.

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, supplemental employee retirement payments, and indirect costs assessments, are estimated to be \$84,135 in FY 2018-19 and \$54,823 in FY 2019-20.

Local Government

By extending the inspection schedule to four years, the bill will reduce revenue to county governments by approximately \$76,000 per year.

Effective Date

The bill takes effect August 8, 2018, if the General Assembly adjourns on May 9, 2018, as scheduled, and no referendum petition is filed and applies to conduct occurring on or after that date.

State Appropriations

For FY 2018-19, the bill requires a General Fund appropriation of \$527,374 and an allocation of 2.9 FTE.

State and Local Government Contacts

Counties
Law
Revenue

Information Technology
Public Health and Environment