

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3930-01  
Bill No.: HB 1181  
Subject: Environmental Protection, Natural Resources Dept.; Saint Louis  
Type: Original  
Date: March 31, 2004

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
General Revenue	(\$40,113,318)	(\$98,792)	(\$101,261)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$40,113,318)</b>	<b>(\$98,792)</b>	<b>(\$101,261)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
Highway Funds	(\$2,501)	\$0	\$0
Natural Resources Protection Fund-Air Permit Fee Subaccount	(\$268,751)	(\$599,896)	(\$571,549)
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>(\$271,252)</b>	<b>(\$599,896)</b>	<b>(\$571,549)</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Federal Funds	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### FISCAL ANALYSIS

#### ASSUMPTION

Officials with the **Office of Administration - Division of Budget and Planning** and **Department of Economic Development** assume no fiscal impact to their agencies.

Officials with the **Department of Revenue (DOR)** assume this proposal suspends the emissions inspection program and indirectly affects the Driver and Vehicle Services Bureau (DBSB) in that currently renewal registration reminders all indicate that an emissions inspection is required, when applicable. This proposal will require revisions to procedures, forms, and the Department of Revenue website. DOR will incur costs for notifying the field of procedures changes. It is estimated to be \$530-Highway Funds (\$368 for procedures changes, \$11 for envelopes and \$151 for postage).

The Information Technology Bureau (ITB) will require 84 hours of overtime programming to modify the renewal pull program. Programming overtime costs will be approximately \$1,971.

To implement this proposal, the Department of Revenue will require additional funds. In the past, the programs included in this legislation have been paid for with highway funds. See Mo. Const. Article IV, Section 30(b) and Section 226.200.2, RSMo 2000. This year, however, highway funds may not be available for this purpose as a result of legislation enacted by the

ASSUMPTION (continued)

General Assembly in 2000 that limits the use of highway funds.

This limitation is found in Section 226.200.3, RSMo. It places a cap on the highway funding available to state departments other than the Department of Transportation. The total amount of highway funds appropriated to these other state departments (including the Department of Revenue) cannot exceed the total amount of their fiscal year 2001 highway appropriations. This cap limits the highway funds that will be available for the implementation of this legislation.

If highway funds are not available, then another source of funding must be identified to pay for the cost of implementing this legislation.

Officials with the **Department of Transportation (MoDOT)** assume compliance with the Clean Air Act (CAA) impacts all of MoDOT's funding and its ability to deliver improvements in the state transportation system. Compliance with the CAA can only be accomplished by staying within our designated emissions. The vehicle emissions inspection and maintenance program, if fully instituted, is one of the least expensive and most acceptable methods of reducing the ozone precursor pollutant emissions in an urban area. To comply with the CAA, the U.S. Environmental Protection Agency (USEPA) will require both Kansas City and St. Louis urban areas to reduce their ozone levels, by reducing the amount of ozone precursor pollutants in the air.

MoDOT assumes little to no fiscal impact at this time. However, it is important to note that in the event that St. Louis is reclassified to a "serious" non-attainment area, the EPA could impose a 100 percent sanction on all federal funds to MoDOT or to St. Louis. The Clean Air Act contains more stringent requirements for the emissions inspection program in "serious" areas. The negative impact in this scenario could range from \$230,000,000 to \$700,000,000 beginning in fiscal year 2006. In the past, the EPA has not gone beyond the region, however, it is possible to lose all federal highway funds (\$700,000,000).

Officials with the **Department of Natural Resources (DNR)** assume first, this proposal would negate the air quality benefits that the state has seen with the vehicle emission testing program to date. Without the benefits seen by the program, the state would be in jeopardy of violating the national ambient air quality standard for ozone at the monitors in the St. Louis maintenance area. Second, Missouri's federally approved maintenance plan in place for the former St. Louis one-hour non-attainment area (currently, the maintenance area) would have to be amended. Equivalent pollution reductions would have to be found within the area to replace the reductions

ASSUMPTION (continued)

seen with the current vehicle inspection program. Lastly, by ending the contract in place for vehicle inspections the state would have to pay the contractor for the remainder of the contract.

Approximately \$40 million would be required to refund the contractor and approximately \$4.7 million would be lost in revenue, which comes to a total actual cost of approximately \$45 million.

700,000 cars per year x \$21.50 per car x 2.66 years (years left on contract) = \$40,033,000 would have to be repaid to the contractor for ending the program early. The Air Pollution Control Program (APCP) does not generate enough funds to be able to refund the contractor the estimated \$40M for ending the vehicle testing program early and would be charged to an unknown fund; however, per the Office of Administration - Budget and Planning the state's General Revenue fund could be liable for any default of contract.

The Natural Resources Protection Fund - Air Permit Fee Subaccount (NRPF-APF) would lose approximately \$4.7 million dollars in the next 2.66 years as a result of this proposal suspending the vehicle testing program.

FY 05 (01/01/05 - 06/30/05 (6 Mo) - \$872,813  
FY 06 (07/01/05 - 06/30/06 (1 Yr) - \$1,745,625  
FY 07 (07/01/06 - 06/30/07 (1 Yr) - \$1,745,625  
FY 08 (07/01/07 - 08/30/07 (2 Mo) - \$290,937  
\$4,655,000

(FY08 is not shown on the Summary of Fiscal Impact tab or NRPF-APF tab)

The loss in revenue would force the department's APCP to decrease staff by 22 FTE's, which is funded by the 0267 fund.

Officials with the **Attorney General's Office** assume this proposal would require significant revision of the State Implementation Plan for air quality attainment in the St. Louis area. Those individuals and businesses forced to reduce other sources of pollution to make up for the vehicle inspection and maintenance program would be likely to litigate extensively. AGO assumes assistance with rulemaking and the ensuing litigation would require one additional AAGIII and one Legal Secretary.

Failure to meet federal air quality standards would result in the loss of federal highway funding and other possible sanctions, including a prohibition or limitation of business expansion in the St. Louis area.

VL:LR:OD (12/02)

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
<b>GENERAL REVENUE</b>			
<u>Cost</u> - Department of Natural Resources			
Air Pollution Control Program -			
Contract Default	<u>(\$40,033,000)</u>	<u>\$0</u>	<u>\$0</u>
<u>Cost</u> - Attorney General's Office			
Salaries	(\$56,802)	(\$69,867)	(\$71,613)
Fringe Benefits	<u>(\$23,516)</u>	<u>(\$28,925)</u>	<u>(\$29,648)</u>
Subtotal	(\$80,318)	(\$98,792)	(\$101,261)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE</b>	<b><u>(\$40,113,318)</u></b>	<b><u>(\$98,792)</u></b>	<b><u>(\$101,261)</u></b>
<b>NATURAL RESOURCES PROTECTION FUND - AIR PERMIT FEE SUBACCOUNT</b>			
<u>Cost</u> - Department of Natural Resources			
Vehicle Inspection Fee	<u>(\$872,813)</u>	<u>(\$1,745,625)</u>	<u>(\$1,745,625)</u>
<u>Savings</u> - Department of Natural Resources			
Salaries (22 FTE)	\$365,626	\$749,534	\$768,272
Fringe Benefits	\$124,678	\$255,591	\$261,981
Equipment & Expense	<u>\$113,758</u>	<u>\$140,604</u>	<u>\$144,823</u>
Total Fund Savings	\$604,062	\$1,145,729	\$570,549
<b>ESTIMATED NET EFFECT ON NATURAL RESOURCES PROTECTION FUND - AIR PERMIT FEE SUBACCOUNT</b>	<b><u>(\$268,751)</u></b>	<b><u>(\$599,896)</u></b>	<b><u>(\$570,549)</u></b>

<b>HIGHWAY FUNDS</b>	<b>FY 2005 (10 Mo.)</b>	<b>FY 2006</b>	<b>FY 2007</b>
<u>Costs - Department of Revenue</u>			
Salaries (overtime)	(\$1,971)	\$0	\$0
Equipment & Expense	<u>(\$530)</u>	\$0	\$0
<b>ESTIMATED NET EFFECT ON HIGHWAY FUNDS</b>	<b><u>(\$2,501)</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

<u>FISCAL IMPACT - Local Government</u>	<b>FY 2005 (10 Mo.)</b>	<b>FY 2006</b>	<b>FY 2007</b>
	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

FISCAL IMPACT - Small Business

Yes, the passage of this proposal will decrease the amount of emission repairs at local repair shops.

DESCRIPTION

This bill requires the Air Conservation Commission to suspend operation of any motor vehicle emissions inspection program established under the Air Quality Attainment Act by January 1, 2005.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration

Division of Budget and Planning

Department of Economic Development

Department of Natural Resources

Department of Revenue

Department of Transportation

Attorney General's Office

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Director  
March 31, 2004