

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0696-02
Bill No.: HCS for HB 697
Subject: Environmental Protection; Motor Vehicles; Natural Resources Dept.
Type: Original
Date: April 11, 2005

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2006 | FY 2007 | FY 2008 |
| | | | |
| | | | |
| Total Estimated Net Effect on General Revenue Fund | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|--------------------|--------------------|--------------------|
| FUND AFFECTED | FY 2006 | FY 2007 | FY 2008 |
| Missouri Air Emission Reduction Fund | (\$192,780) | (\$385,560) | (\$385,560) |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds | (\$192,780) | (\$385,560) | (\$385,560) |

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|----------------|----------------|----------------|
| FUND AFFECTED | FY 2006 | FY 2007 | FY 2008 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|----------------|----------------|----------------|
| FUND AFFECTED | FY 2006 | FY 2007 | FY 2008 |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Natural Resources (DNR)** assume the additional vehicles being tested would increase the Department's revenue by an estimated \$79,800 per year. The additional vehicles being exempted would decrease the DNR's revenue by an estimated \$465,358 per year. The net result would be a decrease in state revenue by an estimated \$385,558 per year.

Officials from the **Department of Revenue (DOR)** assume the following:

- Emission test is not required if an emission approval has been performed within the prior 90 days before sale or transfer.
- Deletes the emission inspection exemption on vehicles with a manufacturer's gross vehicle weight rating in excess of eight thousand five hundred (8,500) pounds; but exempts emission inspection requirement on motor vehicles within the first four years of the specific model year of the motor vehicle.
- Exempts motor vehicles owned by persons sixty-five (65) years of age or older when the odometer reading is less than five thousand (5,000) miles per year since the odometer reading of the immediately preceding emissions inspection.

- Eliminates the requirement of the emission inspection station to indicate the gross vehicle weight rating of the motor vehicle when the vehicle is exempt from the emission inspection.
- The DNR shall consult and negotiate with the federal Environment Protection Agency regarding any rule changes required by this proposal that may adversely impact this state's compliance with the federal Clean Air Act.

The Department of Revenue assumes all costs will be appropriated from the general revenue fund.

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. On April 15, 2004, the USEPA announced that the St. Louis area is nonattainment, which means that the clean air standards for the St. Louis area will be even more strict. The Kansas City area has not been classified by the USEPA at this time due to the pending review of data.

The USEPA has been given broad authority by Congress, through the CAA, to limit when a state can modify the SIP. The USEPA has a tool from the CAA called a "sanctions clock." This clock is turned on when a state modifies an approved SIP without federal approval. The state then has 18 months to replace these measures with equal to or greater control measures. If Missouri cannot meet this requirement, federal transportation funds to the state could be frozen and even lost.

If this legislation passes which modifies the SIP, the state will likely have to put control measures in place that will more directly affect people's daily lives. This could include regulating what time of day you can use a barbeque grill, when you can mow your lawn, and what time of day you can put gas in your car, to name a few of the consequences.

MoDOT assumes little to no fiscal impact for FY 2006, but a potential large impact for FY 2007 and FY 2008. However, it is important to note that in the event that St. Louis or Kansas City is reclassified to a "serious" non-attainment area, the USEPA could impose a 100 percent sanction on all federal funds to MoDOT or to St. Louis and Kansas City. The Clean Air Act contains

ASSUMPTION (continued)

more stringent requirements for the emissions inspection program in "serious" areas. The sanction on federal funds for the St. Louis area would be approximately \$230,000,000. The estimated sanction on federal funds for the Kansas City area is an additional \$120,000,000. In the past the USEPA has not gone beyond the region, however, it is possible to lose all federal highway funds (\$700,000,000). The negative fiscal impact in this scenario could range from \$230,000,000 to \$700,000,000.

The effective date of this legislation would be somewhere between August 28, 2005 and August 31, 2007. The 18 month "sanctions clock" could expire in FY 2007 or FY 2008, resulting in the fiscal impact described above.

Oversight assumes the above costs are speculative costs. MoDOT states these costs "could" be included however, this does not mean they would be included.

| <u>FISCAL IMPACT - State Government</u> | FY 2006 (10 Mo.) | FY 2007 | FY 2008 |
|---|---------------------------|---------------------------|---------------------------|
| MISSOURI AIR EMISSIONS REDUCTION FUND | | | |
| <u>Cost - Emission Inspection Fees</u> | <u>(\$192,780)</u> | <u>(\$385,560)</u> | <u>(\$385,560)</u> |
| ESTIMATED NET EFFECT ON MISSOURI AIR EMISSION REDUCTION FUND | <u>(\$192,780)</u> | <u>(\$385,560)</u> | <u>(\$385,560)</u> |

| <u>FISCAL IMPACT - Local Government</u> | FY 2006 (10 Mo.) | FY 2007 | FY 2008 |
|---|---------------------|-------------------|-------------------|
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

FISCAL IMPACT - Small Business

Yes. The removal of Gross Vehicle Weight Rating (GVWR) exemption language will add an emission inspection requirement for heavy-duty vehicles over 8,500 pounds GVWR. Many small businesses own these type of vehicles.

DESCRIPTION

Under this bill, emissions testing on certain motor vehicles will not be required prior to a sale or transfer if the testing and approval occurred within 90 days immediately preceding the sale or transfer.

The bill exempts from emissions testing motor vehicles within four years of the specific model year and motor vehicles owned by persons 65 years of age or older with not more than 5,000 miles per year on the odometer of the vehicle since its last emissions testing.

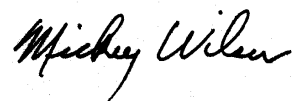
Vehicles which fail emissions standards testing may be repaired by the owner or a mechanic of the owner's choice and are not required to be performed by a recognized repair technician. The waiver amount by the Clean Air Commission will include the labor cost associated with the repairs.

The Department of Natural Resources is required to consult and negotiate with the federal Environment Protection Agency regarding any rule changes which may adversely impact the state's compliance with the federal Clean Air Act. The Joint Interim Committee on Emissions is established to operate in the 2005 legislative interim. Any proposed rules to be promulgated or modified will be sent to the committee by September 1, 2005. The committee will provide its recommendations on any proposed rule by November 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

Department of Natural Resources
Department of Transportation
Department of Revenue



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