

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3160-16
Bill No.: Perfected SS #2 for SCS for SB 583
Subject: Motor Vehicles; Highway Patrol; Revenue Dept.; Natural Resources Dept.;
 Licenses – Motor Vehicles; Environmental Protection
Type: Original
Date: March 1, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue	(\$30,000)	\$0	\$0
Total Estimated Net Effect on General Revenue Fund	(\$30,000)	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
MO Air Emission Fund	\$57,100	\$57,100	\$57,100
MO Air Emission Reduction Fund	\$0	(\$571,414)	(\$732,699)
MO Air Pollution Control Fund	\$0	(\$19,584)	\$0
Highway Fund	(\$1,500,000)	(\$3,088,907)	(\$3,182,321)
Road Fund	\$0	(\$2,800,000)	\$0
Total Estimated Net Effect on Other State Funds	(\$1,442,900)	(\$6,422,805)	(\$3,857,920)

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 13 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue (DOR)** assume they will need to revise policies and procedures (electronically) and include a flier with the renewal notices to explain the new emissions exemptions since they won't know at the time of printing the renewal if the vehicle has traveled less than 12,000 miles since the last safety inspection. Because the safety inspection will no longer be required DOR will be unable to determine the mileage to exempt or enforce the emissions inspection. Additionally DOR will be required to notify all dealers about the elimination of the safety inspection program. Costs incurred for notification will be absorbed.

The DOR evaluated the version currently used and found that it is unable to make the determination on which vehicles will require emission testing and which will not. Therefore, this will be an additional cost not previously shown.

\$30,000 Polk VIN package software upgraded

There are currently 1,141 inspection stations and for the purpose of this fiscal note the DOR assumes that approximately 50% would operate as an official emissions inspection station; therefore; the following is based on that assumption. In addition, the language indicates that the fee amount will be established by the commission by rule, but in no case shall the fee exceed one hundred dollars. Therefore, the DOR will calculate the revenue generated based on the fee amount of one hundred dollars.

ASSUMPTION (continued)

571 Emission Inspection stations
x \$100 Authorization Fee
\$57,100

Officials from the **Missouri Highway Patrol - Motor Vehicle Inspection Division** assume a total of nine FTE would be required if the proposal is passed. These would replace the nine FTE that were eliminated from the Troop C MVI Unit in 2000 when the Patrol was written out of the emission inspection program.

Nine Motor Vehicle Inspectors: Responsibilities include performing routine audits and oversight and enforcement of the safety and emission inspection programs. One of the Motor Vehicle Inspectors would serve as a liaison to the Department of Natural Resources and facilitate the additional administrative responsibilities of the emission inspection program.

Salaries

9 Motor Vehicle Inspectors @ \$25,068 per year = \$225,612 (recurring)
*** Fringe benefit calculations are provided on the fiscal worksheet at a rate of 61.64%.

Total salaries per year recurring = \$225,612

Equipment

9 Hat Badges @ \$50.30 each = \$453 (one-time)
9 Catalog cases @ \$58 each = \$522 (one-time)
9 Clipboards @ \$30 each = \$270 (one-time)
9 Tape Measures @ \$13 each = \$117 (one-time)

Total equipment per year one-time = \$1,362

Expenses

9 Uniform allowance @ 1,200 *first year only* = \$10,800 (one-time)
9 Uniform allowance @ 600 *second year and beyond* = \$ 5,400 (recurring)
9 Mileage costs @ 800 miles x .41 a mile = \$35,424 (recurring)
9 Pager lease and usage @ \$7 a month = \$ 756 (recurring)

Total expenses per year one-time = \$10,800
total expenses per year recurring = \$41,580

ASSUMPTION (continued)

Oversight assumes this would occur over a period of time. We are assuming this will be phased in beginning in FY 2008 with 2 FTE, and continuing with 4 FTE in 2009. The remaining FTE could be phased in through the appropriations process, with additional FTE determined on the amount of stations participating in the contract.

Also, the Motor Vehicle Inspection Division currently receives almost \$4,500,000 in revenue generated from the sale of inspection stickers. This would no longer be generated by the proposal. 33% of inspection sticker revenue is deposited to the Highway Patrol Inspection Fund, while 67% is deposited to the Highway Fund. Since there is no appropriation that allows the Patrol to spend all of the 33% in Highway Patrol Inspection Fund, the money is transferred every two years to the Road Fund.

Therefore, there would be a net loss to the Highway Fund of approximately \$3,015,000 each year and a net loss of an additional \$1,485,000 (approximately) to the Highway Patrol Inspection Fund, however, since the \$1,485,000 is transferred biennially to the Road Fund, MoDOT would be responsible for reporting this loss of revenue.

Calculations for net loss in Highway Fund:
 $\$4,500,000 \times 67\% = \$3,015,000$ (net loss annually)

Calculations for net loss in Highway Patrol Inspection Fund:
 $\$4,500,000 \times 33\% = \$1,485,000$ (biennially) = (net loss to the road fund - reported by MoDOT)

Oversight assumes these losses will be included in the loss reported by the Department of Transportation.

Officials from the **Department of Transportation (MoDOT)** assumes they receive \$1 of the \$12 inspection fees collected (Highway Fund). The Missouri State Highway Patrol receives \$.50 of the \$12 fee for the cost of the stickers issued; the leftover revenues are transferred biennially to the Road Fund.

Based on the FY03 - FY05 inspection fee collections, the elimination of the statewide motor vehicle safety inspection, would have a negative fiscal impact on MoDOT in the amount of \$3 million from the Highway Fund annually and \$2.8 million biennially from the State Road Fund. The effective date for the program would be January 1, 2007, therefore the FY07 fiscal impact to the Highway Fund would be for six months.

Officials from the **Secretary of State's Office** assume this proposal establishes a decentralized emission program which utilizes on-board diagnostic testing on certain motor vehicles. This proposal would result in the Department of Revenue, Missouri Highway Patrol, and Department

ASSUMPTION (continued)

of Natural Resources promulgating rules. These rules would be published in the Missouri Register and the Code of State Regulations. Based on experience with other divisions, the rules, regulations and forms issued by the Department of Revenue, Missouri Highway Patrol, and Department of Natural Resources could require as many as 32 pages in the Code of State

Regulations. For any given rule, roughly half again as many pages are published in the Missouri Register as in the Code because cost statements, fiscal notes and the like are not repeated in the code. These costs are estimated. The estimated cost of a page in the Missouri Register is \$23. The estimated cost of a page in the Code of State Regulations is \$27. The actual cost would be more or less than the numbers given. The impact of this proposal in future years is unknown and depends upon the frequency and length of the rules filed, amended, rescinded, or withdrawn.

Oversight assumes the SOS could absorb the costs of printing and distributing packets and section of the State Manual related to this proposal. If multiple bills pass which require the printing and distribution of packets at substantial costs, the SOS could request funding through the appropriation process.

Officials from the **Department of Natural Resources (DNR)** assume this proposal would revise the state emissions inspection program. It would create a decentralized emissions inspection program whereby motor vehicle safety inspection stations and other entities would conduct emissions inspection if certified by the Air Conservation Commission.

The department would have to draft and obtain a contract with one or more vendors to supply vehicle emissions testing equipment, electronic data collection computers, data analysis and training to entities licensed to perform vehicle emissions testing. This change would involve a substantial redesign from the current I/M program design, which could change the department's staffing needs and responsibilities from their current level.

Businesses interested in participating in the proposed decentralized I/M program would have to choose to invest in training to become licensed to provide emissions testing and/or repair services. Provided the number of business making this decision is high, motorists would have a larger number of choices regarding who could perform their vehicle's emissions tests.

It is unknown how many businesses would apply for certification to test vehicles; therefore, the estimated revenue from this proposal is unknown. For purposes of this fiscal note, the department assumed the amount of revenue generated would be offset by the ongoing program costs to process these applications and permits.

The department assumes the training and certification program would be included as part of the contract to provide a decentralized I/M and would be defined by the request for proposal bidders.

ASSUMPTION (continued)

It is assumed the cost for training/certification would be paid by the businesses who make the decision to participate; therefore this has not been shown as a direct cost to the state. The company awarded the bid for this contract would receive the revenue directly from the businesses, so there is no estimate provided for the cost of this program to the state.

	# of 1981-1995 vehicles	State Oversight Fee	Total Revenue Lost
St. Louis City	44,292	\$2.50	\$110,730.00
St. Louis County	74,571	\$2.50	\$186,427.50
St. Charles County	26,618	\$2.50	\$ 66,545.00
Jefferson County	26,795	\$2.50	\$ 66,987.50
RapidScreen Vehicles	11,484	\$2.50	\$ 28,710.00
Franklin County	14,150	\$0.75	\$ 10,612.50

	# of 2001-2002 vehicles	State Oversight Fee	Total Revenue Lost
St. Louis City	9,988	\$2.50	\$ 24,970.00
St. Louis County	33,367	\$2.50	\$ 83,417.50
St. Charles County	11,888	\$2.50	\$ 29,720.00
Jefferson County	9,215	\$2.50	\$ 23,037.50
RapidScreen Vehicles	28,835	\$2.50	\$ 72,087.50
Franklin County	3,961	\$0.75	\$ 2,970.75

Net Fiscal Impact	295,164(tests)		\$706,215.75
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It is unknown at this time what impact the development of a decentralized emissions inspection program would have on ongoing program costs. However, the department assumes any changes to ongoing program costs would occur outside the fiscal note period.

Senate Amendment 7 to the SS for SCS for SB 583 states that if in the immediate previous fiscal year, the state General Revenue Fund did not increase by 2% or more, then the State Treasurer shall deposit moneys, except for gifts, donations or bequests, received under this section beginning January 1 of the current fiscal year into the General Revenue.

Based on Office of Administration projections, Missouri's General Revenue is expected to grow by more than 2% annually within the fiscal note period. Therefore, the department has not reflected a fiscal impact from this amendment. However, if the state's General Revenue does not grow at the projected rate this amendment would have an unknown fiscal impact. There could also be legal ramifications in transferring fees to general revenue.

ASSUMPTION (continued)

Officials from **St. Louis County** assume the costs will remain the same. However, the provision to set up an adequate number of inspection stations within five (5) miles of all persons residing in the affected non-attainment area was dropped. Consequently, at this time they do not know if the location will be a detriment.

Also, currently if the wait is more than 30 minutes, the \$24 fee is reduced by \$10. If the wait time is 0 minutes or more, the fee is reduced by \$20. If there is no wait time penalty, they could have employees waiting for indefinite periods of time.

This proposal will reduce total state revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
GENERAL REVENUE			
<u>Cost - Department of Revenue</u>			
Equipment & Expense	(<u>\$30,000</u>)	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$30,000)</u>	<u>\$0</u>	<u>\$0</u>
MISSOURI AIR EMISSION FUND			
<u>Cost Avoidance (Savings) - Department of Revenue</u>	<u>\$57,100</u>	<u>\$57,100</u>	<u>\$57,100</u>
ESTIMATED NET EFFECT ON MISSOURI AIR EMISSION FUND	<u>\$57,100</u>	<u>\$57,100</u>	<u>\$57,100</u>
MO AIR EMISSION REDUCTION FUND			
<u>Transfer In - Department of Natural Resources</u>			
Transfer In MO Air Emission Reduction Fund	\$0	\$19,584	\$0
<u>Loss - Department of Natural Resources</u>			
Vehicle Inspection Fee & Remaining Basic I/M Fee	<u>\$0</u>	<u>(\$590,998)</u>	<u>(\$732,699)</u>
ESTIMATED NET EFFECT ON MO AIR EMISSION REDUCTION FUND	<u>\$0</u>	<u>(\$571,414)</u>	<u>(\$732,699)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
MO AIR POLLUTION CONTROL FUND			
<u>Transfer Out - Department of Natural Resources</u>			
Fund Balance Transferred to MO Air Emission Reduction Fund	\$0	(\$19,584)	\$0
ESTIMATED NET EFFECT ON MO AIR POLLUTION CONTROL FUND	<u>\$0</u>	<u>(\$19,584)</u>	<u>\$0</u>
HIGHWAY FUND			
<u>Cost - Missouri Highway Patrol</u>			
Salaries	\$0	(\$52,674)	(\$107,982)
Fringes	\$0	(\$32,468)	(\$66,650)
Equipment & Expense	<u>\$0</u>	<u>(\$3,765)</u>	<u>(\$7,689)</u>
<u>Loss- Department of Transportation Other Sources (Inspection Fees)</u>	<u>(\$1,500,000)</u>	<u>(\$3,000,000)</u>	<u>(\$3,000,000)</u>
ESTIMATED NET EFFECT ON HIGHWAY FUND	<u>(\$1,500,000)</u>	<u>(\$3,088,907)</u>	<u>(\$3,182,321)</u>
ROAD FUND			
<u>Loss - Department of Transportation Other Sources (Inspection Sticker Cost)</u>			
	<u>\$0</u>	<u>(\$2,800,000)</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON ROAD FUND	<u>\$0</u>	<u>(\$2,800,000)</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Under the current emissions testing program vehicles 25 years and newer are required to be emissions tested. This bill proposes to exempt vehicles of model years 1995 and older from emissions testing. By decreasing the number of tested vehicles, this proposal could potentially reduce the number of failing vehicles that will be repaired by small businesses (non-dealer repair shops). However, by allowing vehicle repair shops, official safety inspection stations and other certified entities to conduct vehicle emissions testing, small businesses will have a potential new revenue source.

As amended, this proposal would allow clean screening using remote sensing devices. With clean screening, the exemption of vehicles from a station-based emission test would decrease the revenue potential to the shops that are licensed to conduct vehicle emissions testing.

the same small businesses will have increased costs if they participate. These costs may include annual licensing fees, purchases of testing equipment, hardware or software upgrades, maintenance costs, and employee training costs.

DESCRIPTION

This act proposes to revise the state emissions inspection program. The act creates a decentralized emissions inspection program whereby motor vehicle safety inspection stations and other entities will conduct emissions inspection if certified by the air conservation commission. The decentralized system will not go into effect until September 1, 2007. Prior to that date, the commission shall develop a decentralized emissions inspection program that allows official emissions inspection stations to conduct on-board diagnostic testing on 1996 and newer vehicles. The act provides that motor vehicle safety inspection stations and other entities may apply to the commission to become official emissions inspection stations. Before issuing a certificate of authorization to a prospective station, the commission must determine if the applicant will be properly equipped, has qualified emission inspectors, and meets other requirements set forth by the commission. The act allows the commission to employ remote sensing devices for the purposes of collecting information regarding a vehicle fleet's emissions characteristics and registration compliance (Section 643.303).

The act applies the new decentralized emissions program consistently throughout the city of St. Louis, St. Louis County, St. Charles County, Jefferson County, and Franklin County. The act

DESCRIPTION (continued)

updates the county descriptions (Section 643.305).

The act provides that the Director of Revenue may verify a successful emissions inspection result electronically. This provision is similar to one contained in HB 241 (2005).

The act specifically exempts motor vehicles manufactured prior to 1996 from the emission inspection process. Motor vehicles manufactured prior to that date will be subject to a gas cap pressure test as part of the motor vehicle safety inspection test. This requirement will be implemented by rules. The act exempts diesel-powered vehicles (current law) except light-duty diesel-powered vehicle manufactured after 1996 with a gross vehicle weight rating of 8,500 pounds or less will be subject to inspection. The act exempts new motor vehicles which have not been previously titled and registered, for the four-year period following their model year of manufacture provided the odometer reading for such motor vehicles are less than 50,000 miles at their first required biennial safety inspection; otherwise such motor vehicles shall be subject to the emissions inspection (Section 643.315).

The act sets forth the procedures that one must follow in order to become an official emissions inspection station. The act also provides that the commission may suspend a station's certificate of authority to conduct emissions inspections provided the station is given due process as outlined in the act (Section 643.320).

The act provides that the commission shall establish a waiver amount which shall be no greater than \$450. The act provides that the waiver amount for repairs conducted by an owner shall be \$400 provided the owner expends at least \$400 on emissions parts. Labor costs do not count toward the waiver amount for owner repairs. The subsection requires the commission to create a waiver form and requires owners to submit all original receipts for parts. Under the act, the commission may establish, by rule, a waiver amount which may be lower for owners who provide reasonable and reliable proof to the commission that the owner is financially dependant solely on state and federal disability benefits and other public assistance programs. Such proof shall be submitted to the commission thirty calendar days prior to each subsequent emissions inspection before the lowered waiver amount is allowed (Section 643.335).

The act requires certified repair technicians to obtain and possess valid A6, A8, and L1 certifications from the National Institute for Automotive Service Excellence (Section 643.335).

Beginning September 1, 2007, the inspection fee shall not exceed \$24. Every year thereafter, the fee may be adjusted for inflation (Section 643.350).

The act abolishes the Missouri Air Pollution Control Fund established under Section 307.366 and transfers its funds to the Missouri Air Emission Reduction Fund (Section 307.367).

DESCRIPTION (continued)

The act requires the Department of Natural Resources to promote participation in the decentralized emissions inspection program among qualified motor vehicle dealers, service stations, and other individuals. After the implementation of the decentralized emission inspection program, the department shall monitor participation in such program. In determining whether there are a sufficient number of individuals conducting motor vehicle emission inspections under the decentralized program, the department shall attempt to ensure, through promotional efforts, that no more than twenty percent of all persons residing in an affected nonattainment area reside farther than five miles from the nearest inspection station.

The act requires the commission to design and furnish each official emissions inspection station, at no cost, one official sign made of metal or other durable material to be displayed in a conspicuous location to designate the station as an official emissions inspection station. Additional signs may be obtained by an official inspection station for a fee equal to the cost to the state. Each official emissions inspection station shall also be supplied with one or more posters which must be displayed in a conspicuous location at the place of inspection and which informs the public that required repairs or corrections need not be made at the inspection station.

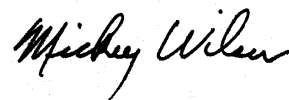
Senate Amendment #1 would remove the requirement for motor vehicle safety inspections except those performed on school buses.

Many of the provisions of the act have an effective date of September 1, 2007.

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
Department of Natural Resources
Missouri Highway Patrol
Department of Transportation
Department of Revenue
Secretary of State's Office
St. Louis County



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