

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3160-18
Bill No.: Truly Agreed To And Finally Passed HCS for 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: May 23, 2006

FISCAL SUMMARY

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

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
MO Air Emission Reduction Fund*	\$0	\$0	\$0
MO Air Pollution Control Fund	\$0	\$0	\$0
Highway Fund	\$0	\$0	\$0
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

***The oversight inspection fee would be set by rule.**
 Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 11 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.

The cost of the fliers will be:

\$16,250, \$20,085 and \$20,688 in the three fiscal years.

Information Technology Bureau

240 Contract Programming Hours
 x\$104 Hourly Rate
 \$24,960

This proposal will require one contract programmer CIS I to complete 240 hours of programming changes at an average rate of \$104 per hour to the MORE (Missouri Online Registration Exchange) system to verify the emissions inspection prior to renewing an online registration. It will also require verification of mileage, safety inspection an emission inspection through a private vendor, MSHP or DNR.

ASSUMPTION (continued)

Programming Changes will be required to several legacy programs for renewals and renewal messages for the counties that require emissions and the cost for those changes will be absorbed internally.

REVENUE IMPACT

There are currently 1,141 inspection stations and for the purpose of this proposal the department assumes that approximately 50% would operate as an official emissions inspection station; therefore the following is based on that assumption

571	Emission Inspection Stations
<u>x\$100</u>	Authorization Fee
\$57,100	

Oversight assumes since the contract for emission inspection continues until 2007 the above costs incurred can be absorbed by the Department of Revenue. Oversight also assumes the revenue impact is included in the Department of Natural Resources assumptions for this proposal.

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.

ASSUMPTION (continued)

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

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.

Officials from the **Department of Transportation (MoDOT)** assume this proposal establishes a decentralized emission inspection program which utilizes on board diagnostic testing on certain vehicles. MoDOT does not anticipate a fiscal impact.

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 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,

ASSUMPTION (continued)

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 the license; 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	\$ 83,970.00
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		\$706,215.75
-------------------	---------	--	--------------

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.

Officials from the **Department of Agriculture** assume this proposal will not impact their agency.

Oversight assumes that the oversight fee portion of the inspection fee would be set to provide enough revenue to recover program expenses and lost revenue.

This proposal will reduce total state revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (10 Mo.)	FY 2008	FY 2009
MO AIR EMISSION REDUCTION FUND			
<u>Revenue - Department of Natural Resources</u>			
Increase in Oversight Inspection Fee *	\$0	Unknown	Unknown
<u>Transfer In - Department of Natural Resources</u>			
Transfer In MO Air Emission Reduction Fund	\$0	\$19,584	\$0
<u>Transfer Out - Missouri Highway Patrol</u>			
Fund Balance Transferred to Missouri Highway Patrol		(\$88,907)	(\$182,321)
<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>\$0</u>	<u>\$0</u>

*The Oversight Inspection Fee would be set by rule.

MO AIR POLLUTION CONTROL FUND

<u>Transfer Out - Department of Natural Resources</u>			
Fund Balance Transferred to MO Air Emission Reduction Fund	<u>\$0</u>	<u>(\$19,584)</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON MO AIR POLLUTION CONTROL FUND	<u>\$0</u>	<u>(\$19,584)</u>	<u>\$0</u>

HIGHWAY FUND

<u>Transfer In - Missouri Highway Patrol</u>	\$0	\$88,907	\$182,321
<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>
Total <u>Cost</u>	\$0	(\$88,907)	(\$182,321)

**ESTIMATED NET EFFECT ON
 HIGHWAY FUND**

	<u>\$0</u>	<u>\$0</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>
<u>FISCAL IMPACT - Small Business</u>			

Yes, for those businesses whose vehicles are not required to complete the emissions inspection.

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.

These same small businesses will have increased costs if they participate. There is a \$10 permit fee to operate an official emission inspection station. costs may also include 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

DESCRIPTION (continued)

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 (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 updates the county descriptions (Section 643.305).

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

If a motor vehicle is inspected and approved prior to sale or transfer, it is not subject to another emissions inspection for 90 days after the date of sale or transfer of the vehicle.

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 heavy-duty diesel-powered vehicles with a gross vehicle weight rating in excess of 8,500 pounds. The act also 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 40,000 miles at their first required biennial safety inspection; otherwise such motor vehicles shall be subject to the emissions inspection. Motor vehicles driven less than 12,000 miles between biennial safety inspections are exempt from 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

DESCRIPTION (continued)

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).

The act requires the Department of Natural Resources and the Highway Patrol to provide oversight for the emissions inspection program, including oversight of the repair services by recognized repair technicians. Both agencies shall submit an annual report to the legislature detailing the oversight measures implemented for the program and the data collected regarding compliance and incidents of fraud (section 643.337). The act also requires the Department of Natural Resources to submit annual reports to the General Assembly describing the overall effectiveness of the new decentralized emissions inspection program (section 643.353).

Beginning September 1, 2007, the inspection fee shall not exceed \$24 (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).

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.

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.

L.R. No. 3160-18

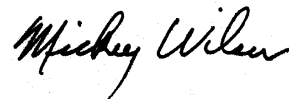
Bill No. Truly Agreed To And Finally Passed HCS for SS#2 for SCS for SB 583

Page 11 of 11

May 23, 2006

SOURCES OF INFORMATION

Department of Agriculture
Department of Natural Resources
Missouri Highway Patrol
Department of Transportation
Department of Revenue
Secretary of State's Office



Mickey Wilson, CPA
Director
May 23, 2006