

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0746S.01I
 Bill No.: SB 200
 Subject: Agriculture; Licenses - Motor Vehicle; Motor Vehicles; Transportation; Air Quality; Environmental Protection; Department of Natural Resources; Federal - State Relations; Department of Transportation
 Type: Original
 Date: January 20, 2025

Bill Summary: This proposal exempts certain farm vehicles from emissions inspection requirements.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Air Emission Reduction Fund (0267)*	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown)	(Unknown)	(Unknown)

*Oversight assumes the Unknown loss of emissions inspection fees will be less than \$250,000

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Federal Highway Funds*	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

*Oversight notes the loss of federal funds due to noncompliance could be substantial and more than \$250,000.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Total Estimated Net Effect on FTE	0	0	0

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§643.315 – Emissions Inspections for Farm Vehicles Over Ten Years Old

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

Administrative Impact

To implement the proposed legislation the department will be required to:

- Update procedures, forms, and correspondence;
- Update Department website;
- Send communications to contracted license offices and other contracted stakeholders; and
- Train internal and contract license office staff.

FY 2026 – Strategy and Communications Office

Associate Research/Data Analyst 10 hrs. @ \$22.33 per hr. = \$223

Research/Data Analyst 10 hrs. @ \$27.87 per hr. = \$278

Total Costs = **\$501**

The Department anticipates that they will be able to absorb these costs and that there will be minimal impact. If multiple bills are passed that require department resources, FTE may be requested through the appropriations process.

Emissions requirements are governed by federal regulation. It is unclear if, as written, this legislation would be in conflict with federal regulation. A noncompliance finding could result in a loss of Federal Highway Funding in the estimated amount of \$26 million the first year of noncompliance, and \$52 million every year thereafter.

Oversight assumes DOR is provided with core funding to handle a certain amount of activity each year. Oversight assumes DOR could absorb the administrative costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the appropriation process.

Officials from the **Missouri Department of Transportation (MoDOT)** assume the requirement for vehicle emissions inspections is a control measure, cited in the Missouri DNR State Implementation Plan (SIP), to reduce pollution.

If this exception is established and vehicle emissions testing is not met according to federal regulations, the SIP would have to be amended to remove this control measure.

In order to stay within federal compliance with the Clean Air Act, some other pollution control mechanism would need to replace it. If pollution control goals are impeded, MoDOT could face the possibility of having discretionary funding prescribed for projects that have pollution reduction benefits sometime in the future, or even withheld completely. The redirection of federal funding to pollution reduction could affect other MoDOT projects, therefore, creating an unknown negative fiscal impact on MoDOT's program delivery program. According to MoDOT's 2023 Financial Snapshot (attached), the State received over \$1 billion in federal revenues. At the discretion of the U.S. Environmental Protection Agency, up to all federal highway funding could be redirected or restricted, not just the federal dollars spent in the non-attainment area of the state.

Oversight assumes this proposal could impact federal funding if Missouri is found to be out of compliance; therefore, Oversight will reflect a \$0 or "Unknown" loss to federal highway funds.

Officials from the **Department of Natural Resources (DNR)** state the Gateway Vehicle Inspection Program (GVIP) is the state's program for administering the Clean Air Act mandated emission inspections for vehicles registered in the St. Louis area. Emission tests are required for motor registration renewals every two years and also between most ownership transfers. The fee for the emissions test is \$24, of which \$2.50 is paid to the State. The proposed bill will exempt a new category of vehicles from the requirement to obtain a passing emission inspection before vehicle registration renewal. This new category of vehicles to be exempted through the bill are motor vehicles over ten years old that are registered as local commercial motor vehicles used for farm or farming transportation operations, as described in §301.010, or that are otherwise defined as covered farm vehicles under federal laws and regulations.

The bill text at §643.315.2(13) would add a new exemption for emission inspections for motor vehicles over ten years old that are registered as local commercial motor vehicles used for farm or farming transportation operations. The bill would result in fewer required emission inspections for vehicles in the area, which would reduce fees collected by the state. According to Missouri Department of Natural Resource's data from 2022 and 2023, there were an average of approximately 330,000 vehicles that got an emissions inspection each year in the St. Louis area and that had model years that were ten years old or older. However, the number of these vehicles that would also meet the new exemption criteria based on classification as a farm vehicle is unknown. Therefore, the decrease in revenue cannot be calculated and is unknown but would impact fund 1267 (Missouri Air Emission Reduction Fund).

EPA is obligated by the Clean Air Act to approve or disapprove all revisions to the State Implementation Plan (SIP). The Clean Air Act (CAA) also includes an anti-backsliding provision at CAA Section 110(l), which prevents EPA from approving any revision to the SIP that would interfere with attainment or reasonable further progress towards attainment with respect to any federal outdoor air quality standard.

If this bill is enacted, the department would need to revise the state's rule for the emission inspection program (10 CSR 10-5.381), and then submit that rule change as a SIP revision for U.S. Environmental Protection Agency's (EPAs) approval along with a demonstration showing that the new exemption would not conflict with the Clean Air Act's anti-backsliding provisions and also demonstrate that the program meets the Clean Air Act's requirements for an enhanced emission inspection and maintenance program. An anti-backsliding demonstration would require imposing new regulatory requirements for emission offsets from other regulated sources. The team member time needed to develop the rulemaking and demonstrations is estimated at 500-750 hours for an Environmental Program Specialist position. This would be a one-time cost to the department of \$16,265 - \$24,398. The department anticipates being able to absorb these costs. However, until the FY 2026 budget is final, the department cannot identify specific funding sources.

Summary of Impacts:

The projected reduction in fee revenue in fund 0267 (Air Emission Reduction Fund) that would result from the new exemption is unknown.

Environmental Program Specialist at a one-time cost of \$16,265 to \$24,398 (based on an annual salary of \$67,656 not including fringe and indirect). The department anticipates being able to absorb these costs. However, until the FY 2026 budget is final, the department cannot identify specific funding sources.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by DNR. Oversight will reflect an "Unknown" loss to the Air Emission Reduction Fund for the loss of fees due to farm vehicles not being required to have an emissions inspection. Oversight assumes this loss will be less than \$250,000.

Oversight notes there was a balance of \$1,793,683 in the Air Emission Reduction Fund as of December 31, 2024.

Officials from the **Missouri Highway Patrol** defer to DNR for the potential fiscal impact of this proposal.

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
AIR EMISSION REDUCTION FUND (0267)			
<u>Loss</u> – DNR – emissions inspection fees not required for exempted farm vehicles	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON THE AIR EMISSION REDUCTION FUND (0267)	(Unknown)	(Unknown)	(Unknown)
FEDERAL HIGHWAY FUNDS			
<u>Loss</u> – MoDOT – potential loss of funds if Missouri is found to be out of compliance	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)
ESTIMATED NET EFFECT ON FEDERAL HIGHWAY FUNDS	\$0 or (Unknown)	\$0 or (Unknown)	\$0 or (Unknown)

*Oversight notes the loss of federal funds due to noncompliance could be substantial.

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
	\$0	\$0	\$0

FISCAL IMPACT – Small Business

Small farming operations could be impacted as a result of this proposal.

FISCAL DESCRIPTION

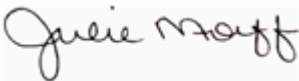
This act provides that motor vehicle emissions inspection requirements shall not apply to motor vehicles over 10 years old that are registered as local commercial vehicles and used for farm or farming transportation operations, or that are otherwise defined as "covered farm vehicles" under federal law.

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 Revenue
Missouri Department of Transportation

Department of Natural Resources
Missouri Highway Patrol



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January 20, 2025



Jessica Harris
Assistant Director
January 20, 2025