

BILL # SB 1191

TITLE: emissions inspection; alternative fuel vehicles

SPONSOR: Binder

STATUS: As Amended by House Environment

REQUESTED BY: House

PREPARED BY: Tom Mikesell

FISCAL YEAR

	2003	2004	2005
EXPENDITURES			
Vehicle Emissions Inspection Fund	\$-0-		Minimal Loss
REVENUES			
Air Quality Fund	\$-0-		Minimal Gain
Vehicle Emissions Inspection Fund	\$-0-		Minimal Loss

FISCAL ANALYSIS

Description

Vehicle owners that live or commute into Pima and Maricopa counties must have their vehicles inspected in the state’s Vehicle Emissions Inspection (VEI) Program and pay an emissions inspection fee of \$27 biennially in Maricopa County and \$11.75 annually in Pima County. These emissions inspection fee revenues are deposited into the VEI Fund to pay the VEI Program contractor and administrative expenses of the Department of Environmental Quality. Owners of vehicles that are 5-years old and newer can opt to not receive an inspection and instead pay a fee in-lieu of the inspection. Owners of original equipment manufactured alternative fuel vehicles, however, are currently required to receive an inspection regardless of the age of the vehicle.

This bill would allow owners of original equipment manufactured alternative fuel vehicles that are 3 years old and newer to pay a fee in-lieu of having their vehicle’s emissions systems inspected in the VEI Program. The amount of the in-lieu fee would be \$25.00 biennially for vehicles in Maricopa County and \$9.00 annually for vehicles in Pima County. The fee revenues would be deposited into the Air Quality Fund for use on a variety of existing air quality purposes, including the Voluntary Lawn and Garden Equipment Emission Reduction Programs, the Voluntary Vehicle Repair and retrofit Program, the Diesel Vehicle Low Emissions Incentive Program, and county travel reduction programs, among others.

Estimated Impact

This bill’s provisions would result in a minimal reduction of revenues to the VEI Fund and a minimal increase of revenues to the Air Quality Fund, since eligible vehicles owners would likely prefer the option to forgo an emissions inspection and pay the in-lieu fee, which is lower than the emissions inspection fee. Based on estimates of the number of eligible vehicles, this could result in an Air Quality Fund revenue increase of up to \$3,600 and a VEI Fund revenue decrease of up to \$(4,300) in FY 2004 and FY 2005.

In addition, pursuant to statute, vehicles that are able to switch their fuel source between an alternative fuel and gasoline (bi-fuel vehicles) are required to receive 2 tests, one while operating on gasoline and the second while operating on the alternative fuel. A fee is paid for each test. The vehicle owner pays the first fee, which as noted above is deposited into the VEI Fund. The second fee, which is 75% of the normal test fee, is paid from monies in the VEI Fund. Due to this, in the

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event that vehicles exempted from an emissions inspection are bi-fuel vehicles, there could be both a revenue and expenditure decrease for the VEI Fund. The expenditure decrease would be at most 75% of the revenue decrease to the VEI Fund in each year, depending on the number of eligible bi-fuel vehicles. We do not have data on how many bi-fuel vehicles would be eligible and therefore cannot estimate the potential expenditure decrease.

Analysis

This bill's primary fiscal impact is to shift revenues from the emissions inspection fund, which is used to pay the costs of the emissions inspection program, to the Air Quality Fund, which is used for a variety of air quality improvement purposes. The extent of this revenue shift ultimately depends on the number of original equipment manufactured alternative fuel vehicles that would be eligible to forgo the emissions inspection and instead pay the in-lieu fee in Maricopa and Pima Counties.

Current data from the Department of Environmental Quality's Emissions Inspection program suggests that up to 60 vehicles may be eligible in Maricopa County and up to 228 vehicles may be eligible in Pima County in FY 2004. The number of potentially eligible vehicles in FY 2005 is unknown since calendar year 2003 registration data only represents 3 months of the year. For the purposes of determining the fiscal impact, we assumed that the FY 2005 number of eligible vehicle was identical to FY 2004. The amount of revenue shifted may vary to the extent that the actual number of eligible vehicles is larger or smaller than 288.

According to vehicle registration records from the Arizona Department of Transportation, there has been a steep decrease in the number of new alternative fuel vehicles registered statewide. This is important since the bill only allows owners of vehicles that are 3 years old or newer to pay the in-lieu fee. As such, if this trend continues into the future, revenue shifts as a result of this bill will be minimal as the number of eligible vehicles will be low.

Local Government Impact

Since several of the air quality programs funded by the in lieu fee revenues deposited in the Air Quality fund involve grants to local governments, to the extent that the bill's provisions increases in lieu fee revenue there could be a positive local fiscal impact.