

Joint Committee on Ways and Means

Carrier – House:

Carrier – Senate:

Revenue: No Revenue Impact

Fiscal: Fiscal Impact Statement Issued

Action:

Vote:

House

Yeas:

Nays:

Exc:

Senate

Yeas:

Nays:

Exc:

Prepared By: Krista McDowell, Legislative Fiscal Office

Meeting Date: 5/20/2013

WHAT THE MEASURE DOES: Requires the Environmental Quality Commission to prepare revisions to Oregon's State Implementation Plan under the federal Clean Air Act by adopting criteria, methods and standards for inspecting motor vehicles for certification no later than July 1, 2014. Stipulates the Department of Environmental Quality shall report to the Legislative Assembly within 60 days after United States Environmental Protection Agency acts on the revisions.

ISSUES DISCUSSED:

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EFFECT OF COMMITTEE AMENDMENT: No amendment.

BACKGROUND: The Oregon Department of Environmental Quality (DEQ) requires emissions testing for all vehicles in Oregon's four largest counties (Portland metro area and Medford area). Testing from the 2012 calendar year indicates that the overall failure rate of vehicles was 6.79%. During this time, 556,130 vehicles were tested. Of these vehicles, and based on the numbers provided by DEQ, vehicles with a model year of 2008 or newer fail at a rate of between 0 and 0.74%. Current law requires vehicles in the Portland and Medford areas to be tested every two years. House Bill 3443 will not require vehicles with model years 2008 or newer to be tested more than once every four years.

FISCAL IMPACT OF PROPOSED LEGISLATION

Measure: HB 3443 - A

Seventy-Seventh Oregon Legislative Assembly – 2013 Regular Session
Legislative Fiscal Office

*Only Impacts on Original or Engrossed
Versions are Considered Official*

Prepared by: Krista McDowell
Reviewed by: Paul Siebert, Linda Gilbert
Date: 5/16/2013

Measure Description:

Requires Environmental Quality Commission to prepare certain revisions to Oregon's State Implementation Plan under federal Clean Air Act.

Government Unit(s) Affected:

Department of Environmental Quality (DEQ), Oregon Department of Transportation (ODOT)

Summary of Expenditure Impact:

See Analysis

Local Government Mandate:

This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

Analysis:

The bill requires the Environmental Quality Commission to prepare revisions to Oregon's State Implementation Plan by July 1, 2014. Within 60 days of the Environmental Protection Agency (EPA) acting on the submitted plan, the Department of Environmental Quality (DEQ) must report to the Legislature. If the EPA approves the revisions, DEQ shall make recommendations for the legislation that it deems advisable. Revisions would also exempt initial vehicle emissions testing requirements for vehicle owners in the testing boundaries until vehicles are more than six years old.

At this time, the Legislative Fiscal Office (LFO) believes that the ramifications of this measure are not fully understood by state agencies and therefore the fiscal impact cannot be fully determined.

Assuming that the EPA approves the submitted plan, vehicle emission testing sites would be required to operate within the parameters set forth in the plan from the date of approval forward. As a result DEQ assumes they would not conduct emissions testing until vehicles are eligible for their eight year re-registration. Additionally, DEQ and Department of Motor Vehicles (DMV) will have to develop new emissions testing procedures for early release of model year vehicles, license plate transfers, used vehicles sold without license plates and vehicles new to Oregon.

Due to changes in the frequency of required emissions testing, decreases in 428,000 vehicle certifications are projected. As a result, \$8.6 million Other Funds (OF) revenue loss per biennium is projected related to the decrease in testing and certification fees. The spread of this revenue loss in the 2013-15 biennium will depend heavily on the timing of the EPA plan approval and therefore cannot be accurately determined at this time.

To offset the reduction in participation volume, DEQ would reduce vehicle inspector staffing and close multiple vehicle testing stations. The complete number of sites to be closed and their location will have to be further evaluated based on each individual site's future testing demand and operating expenses. There is also a potential to increase fees to fund the remaining expenses associated with the program if expenditures do not meet projected revenues. Fee increases will also need further analysis based on the amount of expenses cut from testing site closures and newly projected revenues.

To prepare the required revision to the State Implementation Plan by July 1, 2014, DEQ would need to conduct a new ozone air quality analysis for the Portland and Medford areas. DEQ had planned to conduct this work in the 2015-17 biennium, however due to this expedited schedule, would need three limited duration positions to assist with planning, emission inventories and modeling work. These three positions include two Natural Resource Specialist 4 positions and one Natural Resource Specialist 3 position for one year. The costs of the three positions, in addition to rule making costs, are projected to cost \$289,278 in the 2013-15 biennium.

Under the current emissions testing program, DEQ renews vehicle registrations for most participants at the time they conduct an emissions test. Due to changes in the frequency of required emissions testing, DMV expects to experience a workload increase as vehicle owners, within the testing boundaries, will have to renew their vehicle registration through DMV processes instead of at a DEQ emissions testing station. The extent of the workload increase and FTE impact is indeterminate at this time and will depend on the spread of vehicle renewals through DMV channels such as: in-person office renewals, mail renewals, or renewals using DMV's online website.

The transition of vehicle renewals from DEQ back to DMV will also result in a shifting of Other Fund (OF) Revenues. Approximately \$360,000 OF per biennium is expected to decrease in DEQ and correspondingly increase in DMV revenues.

Computer system modifications will be required to make changes to vehicle renewal reminders and systems used to determine vehicles subject to DEQ emissions testing requirements. Additionally, DMV manuals, the Dealer Handbook, and agency website information will also need to be updated. DMV also reports that staff will need to send letters to auto dealers, financial institutions and other affected parties explaining the changed emissions testing requirements and provide instructions on processing these transactions. The costs associated with the above stated changes to information technology and public notices, are expected to be absorbable within the existing parameters of the agencies budgets.