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HOUSE OF REPRESENTATIVES
COMMITTEE ON
TRANSPORTATION
BILL ANALYSIS & ECONOMIC IMPACT STATEMENT

BILL #: PCS/HB 1377

RELATING TO: Motor Vehicle Emissions Inspections

SPONSOR(S): Rep(s) Fuller and Healey

STATUTE(S) AFFECTED: ss. 325.203, 325.209, 325.210

COMPANION BILL(S): HB 195 & SB 1332 (c)

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:
(1) TRANSPORTATION
(2) ENVIRONMENTAL PROTECTION
(3) TRANSPORTATION AND ECONOMIC DEVELOPMENT APPROPRIATIONS
(4)
(5)

I. SUMMARY:

In Florida, motor vehicles in Broward, Dade, Duval, Hillsborough, Pinellas, and Palm Beach are required to undergo annual emissions inspections. Currently, there are no exemptions from vehicle inspection requirements for newer model motor vehicles even though statistics show a small percentage fail emission tests.

This bill:

- Exempts newer motor vehicles from emissions testing - newer motor vehicles are categorized as the current model year and five model years preceding the most current model year. Exempting newer vehicles is estimated to reduce the number of vehicles tested by 44 percent. One percent of the vehicles exempted currently fail inspection.

- Requires biennial emissions inspections rather than annual inspections.

The number of vehicles annually inspected is expected to decrease due to exempting newer motor vehicles and requiring biennial inspections of other vehicles. The number of inspections is anticipated to decrease from 4.7 million to 1.3 million.

A decrease in the number of inspections will reduce program revenues. By the second year of implementation, program revenues are estimated to decrease by 72 percent, or $40 million. Both the state and the inspection contractors will be impacted by the revenue decrease.

However, fiscal impacts on the state and the contractor are indeterminate. Since the bill becomes effective when the current contracts expire, impacts to the state and the contractors will be based on the terms of the new contracts.

Other fiscal impacts are indicated in Fiscal Analysis & Economic Impact Statement section.

II. SUBSTANTIVE ANALYSIS:

A. PRESENT SITUATION:

In 1988, the Legislature enacted the Clean Outdoor Air Act (creating the Motor Vehicle Inspection Program - ss. 325.201 - 325.219, F.S.) to require *annual* motor vehicle emissions inspections in certain areas of the state. The purpose of the Motor Vehicle Inspection Program (MVIP) is to improve air quality in the counties designated by the EPA in 1987 as ozone nonattainment areas. This is accomplished by ensuring through emissions inspections that most motor vehicles registered in the affected counties are properly maintained. Vehicles that do not pass emissions inspections must be repaired, or receive a waiver or exemption, in order to renew the registration. The Department of Highway Safety and Motor Vehicles (DHS&MV) currently administers motor vehicle inspections in six Florida counties - Broward, Dade, Duval, Hillsborough, Pinellas, and Palm Beach.

The MVIP is administered by DHSMV and is part of the state's commitment to the EPA under the Clean Air Act. Each state's commitment is contained in its submittal of a State Implementation Plan (SIP) to the EPA for compliance approval with the Clean Air Act. The Florida Department of Environmental Protection is responsible for Florida's SIP. The SIP delineates how the state will meet the requirements of the Clean Air Act as defined in 40 CFR, Part 51, Subpart S. The SIP is a legally binding document, signed by the governor, which commits the state to certain actions. Failure by a state to meet its SIP commitments could result in sanctions, including the withholding of federal highway funds.

In Florida newer model motor vehicles must undergo an annual emissions inspection even though they have a high pass rate. According to the DHS&MV's Florida's Motor Vehicle Inspection Program: 1996 Annual Report, the failure rate for newer model vehicles is as follows:

**STATEWIDE INITIAL EMISSIONS INSPECTIONS:
GAS/DIESEL FAILURE RATES BY MODEL YEAR
FY 1995-96**

YEAR	GASOLINE VEHICLES			DIESEL VEHICLES		
	Total Inspected	# Failed	%Failed	Total Inspected	# Failed	% Failed
1990	310,008	9,279	3%	880	33	4%
1991	319,937	7,222	2%	1,183	50	4%
1992	347,387	5,139	1%	1,215	43	4%
1993	455,846	3,543	1%	1,878	58	3%
1994	457,713	1,355	0%	1,785	68	4%
1995	405,799	647	0%	2,160	51	2%
1996	51,544	50	0%	193	5	3%

Total	2,348,234	27,235	1%	9,294	308	3%

Recognizing that newer motor vehicles have a higher pass rate on emissions tests, the 1995 Legislature exempted “new motor vehicles” - as defined in s. 319.001, F.S. - for a period of two years from the date of purchase. However, the two-year exemption is not effective until May 1, 2000.

Section 325.203, F.S., identifies which vehicles are subject to annual inspections and which vehicles are exempt. Generally, vehicles are exempt because they are not significant contributors to air pollution (e.g., vehicles powered by propane or natural gas, golf carts, and mopeds). Further, DHSMV has the authority to exempt other vehicles, based on a determination by the Department of Environmental Protection, that the vehicle does not significantly contribute to air pollution.

The current MVIP contracts expire March 31, 1998. However, the contracts may be extended for up to two one-year periods. The inspection fee is set by DHS&MV rule and cannot exceed $10. The current inspection fee is $10, generally $6 to the contractor and $4 to the state.

B. EFFECT OF PROPOSED CHANGES:

This bill:

- Exempts newer motor vehicles from emissions testing - newer motor vehicles are categorized as the current model year and five model years preceding the most current model year. Exempting newer vehicles is estimated to reduce the number of vehicles tested by 44 percent. One percent of the vehicles exempted currently fail inspection.

- Requires biennial emissions inspections rather than annual inspections.

The number of vehicles annually inspected is expected to decrease due to exempting newer motor vehicles and requiring biennial inspections of other vehicles. The number of inspections is anticipated to decrease from 4.7 million to 1.3 million.

If this bill becomes law, Florida will be required to submit to EPA a revised SIP showing program modifications for newer motor vehicles exemptions and biennial inspections. It is unknown how EPA will react to these program changes. However, due to a delayed effective date of April 1, 1998, the State has sufficient time to react appropriately to potential negative feedback from the Federal Government.

C. APPLICATION OF PRINCIPLES:

1. Less Government:

a. Does the bill create, increase or reduce, either directly or indirectly:

(1) any authority to make rules or adjudicate disputes?

No, the bill does not appear to create, increase or reduce, either directly or indirectly any authority to make rules or adjudicate disputes.

(2) any new responsibilities, obligations or work for other governmental or private organizations or individuals?

Yes, the public in the affected counties would not be required to have their vehicles inspected as often.

(3) any entitlement to a government service or benefit?

The bill does not appear to increase or decrease any entitlement to a government service or benefit.

b. If an agency or program is eliminated or reduced:

(1) what responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity?

Although the bill reduces the number of inspections, no new responsibilities, costs and powers are passed on to another program, agency, level of government, or private entity.

(2) what is the cost of such responsibility at the new level/agency?

Indeterminate, see D., Fiscal Comments

(3) how is the new agency accountable to the people governed?

NA

2. Lower Taxes:

a. Does the bill increase anyone's taxes?

No, this bill does not appear to directly increase anyone’s taxes.

b. Does the bill require or authorize an increase in any fees?

No, this bill does not appear to require or authorize an increase in any fees.

c. Does the bill reduce total taxes, both rates and revenues?

No, this bill does not appear to reduce total taxes, both rates and revenues.

d. Does the bill reduce total fees, both rates and revenues?

Yes, inspection fees paid by the public in the affected counties would be significantly reduced due to exempting newer motor vehicles and providing for biennial inspections. The inspection fee savings to the public would amount to approximately $10 million in FY 1997-98 and $40 million in FY 199-99.

e. Does the bill authorize any fee or tax increase by any local government?

No, this bill does not appear to authorize any fee or tax increase by any local government.

3. <u>Personal Responsibility:</u>

a. Does the bill reduce or eliminate an entitlement to government services or subsidy?

No, this bill does not appear to reduce or eliminate an entitlement to government services or subsidy.

b. Do the beneficiaries of the legislation directly pay any portion of the cost of implementation and operation?

NA

4. <u>Individual Freedom:</u>

a. Does the bill increase the allowable options of individuals or private organizations/associations to conduct their own affairs?

Yes, the public in the affected counties would not be required to have their vehicles inspected as often.

b. Does the bill prohibit, or create new government interference with, any presently lawful activity?

No, the bill does not appear to prohibit, or create new government interference with, any presently lawful activity.

5. <u>Family Empowerment:</u>

a. If the bill purports to provide services to families or children:

This bill does not appear to purport to provide services to families or children.

(1) Who evaluates the family's needs?

NA

(2) Who makes the decisions?

NA

(3) Are private alternatives permitted?

NA

(4) Are families required to participate in a program?

NA

(5) Are families penalized for not participating in a program?

NA

b. Does the bill directly affect the legal rights and obligations between family members?

This bill does not appear to directly affect the legal rights and obligations between family members.

c. If the bill creates or changes a program providing services to families or children, in which of the following does the bill vest control of the program, either through direct participation or appointment authority:

This bill does not appear to create or change a program providing services to families or children.

(1) parents and guardians?

NA

(2) service providers?

NA

(3) government employees/agencies?

NA

D. SECTION-BY-SECTION ANALYSIS:

Not applicable

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE AGENCIES/STATE FUNDS:

1. Non-recurring Effects:

Insignificant

2. Recurring Effects:

Indeterminate, see D., Fiscal Comments

3. Long Run Effects Other Than Normal Growth:

Indeterminate, see D., Fiscal Comments

4. Total Revenues and Expenditures:

Indeterminate, see D., Fiscal Comments

B. FISCAL IMPACT ON LOCAL GOVERNMENTS AS A WHOLE:

1. Non-recurring Effects:

None

2. Recurring Effects:

Beginning in FY 1998-99, local governments would save approximately $115,000 in inspection fees by not having their vehicles inspected, assuming the distribution of vehicle model years in government fleets is similar to the overall distribution of vehicles in Florida.

3. Long Run Effects Other Than Normal Growth:

None

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

1. Direct Private Sector Costs:

   Indeterminate, see D., Fiscal Comments

   The bill reduces revenue to the motor vehicle repair industry because vehicles which would have failed inspection and required repairs are either exempted altogether or inspected every other year. Based on the inspection failure and repair data for FY 1995-96, this revenue loss to the motor vehicle repair industry amounts to approximately $16.7 million, assuming the same number of vehicles fail inspection in subsequent years.

2. Direct Private Sector Benefits:

   Inspection program costs borne by the public in the affected counties would be significantly reduced due to exempting newer motor vehicles and providing for biennial inspections. The inspection fee savings to the public would amount to approximately $10 million in FY 1997-98 and $40 million in FY 1998-99.

3. Effects on Competition, Private Enterprise and Employment Markets:

   None

D. FISCAL COMMENTS:

Pursuant to existing program contracts, revenues are shared between the state and the emission inspection contractors. Currently, DHS&MV's share of the $10 inspection fee ranges from $1.50 to $4.10 and the contractor's share ranges from $5.90 to $8.50.

The number of vehicles annually inspected is expected to decrease due to newer motor vehicles being exempted from inspections and requiring biennial inspections of other vehicles. A decrease in the number of inspections will reduce revenues to the program. By the second year of implementation program revenues are estimated to decrease by 72 percent, or $40 million. Both the state and the contractors will be impacted by the revenue decrease.

However, separate fiscal impacts on the state and the contractor cannot presently be determined because the bill becomes effective when the current contracts expire. The impacts to the state and the contractors will be based on the terms of new contracts.

If this bill results in nonapproval of the maintenance plans for the affected areas, the EPA has the authority to impose sanctions due to noncompliance with the Clean Air Act. Sanctions could include the withholding of the state's federal highway funds. It is unknown how the EPA would react to the state's implementation of the bill's provisions.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties and municipalities to expend funds. Therefore, the provisions of this bill are exempt from the mandate provisions of Article VII, Section 18 of the Florida Constitution.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

The counties' and municipalities' authority to raise revenue is not affected by this bill. Therefore, the bill is exempt from the mandate provisions of Article VII, Section 18 of the Florida Constitution.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill would not reduce the percentage of a state tax that is shared with counties and municipalities. Therefore, the bill is exempt from the mandate provisions of Article VII, Section 18 of the Florida Constitution.

V. COMMENTS:

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

VII. SIGNATURES:

COMMITTEE ON TRANSPORTATION:

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