

STORAGE NAME: h0473b.ep
DATE: March 30, 2000

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
ENVIRONMENTAL PROTECTION
ANALYSIS**

BILL #: HB 473

RELATING TO: Elimination/Motor Vehicle Emission Testing

SPONSOR(S): Representative Healey; Representative Levine

TIED BILL(S):

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) TRANSPORTATION YEAS 10 NAYS 0
 - (2) ENVIRONMENTAL PROTECTION - LAID ON TABLE
 - (3) GOVERNMENTAL RULES & REGULATIONS
 - (4) TRANSPORTATION & ECONOMIC DEVELOPMENT APPROPRIATIONS
 - (5)
-

I. SUMMARY:

Currently, the Motor Vehicle Inspection Program (MVIP) exists in six Florida counties: Broward, Dade, Duval, Hillsborough, Palm Beach, and Pinellas counties. In 1987, the Environmental Protection Agency (EPA) declared these six counties to be "ozone nonattainment areas", as defined in s. 325.202(10), F.S. In 1995 and 1996, the state requested that the six counties be re-designated to "attainment status" based upon the improved air quality. The EPA approved the re-designation with the stipulation of an approval of "maintenance plans" for 10 years after the date of re-designation, as required by the Clean Air Act.

According to the Department of Environmental Protection (DEP), air monitoring data suggests that four counties, Broward, Dade, Duval, and Palm Beach, will be declared to be in compliance with the new ozone standards. Therefore, the MVIP would no longer be needed in these four counties. Hillsborough and Pinellas counties, however, are not expected to be in compliance with the new ozone standards and would still require the MVIP. The EPA is expected to make its determinations regarding which counties are to be designated in "attainment status" in July 2000.

As set forth in s. 325.2135, F.S., when an area meets "attainment status" the Department of Highway Safety and Motor Vehicles may cancel a contract with six month's notice to the contractor. Therefore, assuming the EPA makes its determination that Broward, Dade, Duval, and Palm Beach counties are in compliance with the new ozone standards in July 2000, the MVIP could be eliminated in those four counties by January 2001. The only areas that would still be subject to the MVIP would be Hillsborough and Pinellas counties.

The bill would relieve motorists in Broward, Dade, Duval, and Palm Beach counties from having to obtain a vehicle emissions test prior to initial registration and registration renewals.

The bill would be effective upon becoming law.

The bill would have a significant fiscal impact on the state, local governments, and the private sector. See Fiscal Section III.

See Amendments and Committee Substitutes section herein.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|---|-----------------------------|---|
| 1. <u>Less Government</u> | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

B. PRESENT SITUATION:

Currently, the MVIP exists in six Florida counties: Broward, Dade, Duval, Hillsborough, Palm Beach, and Pinellas counties. In 1987, the EPA declared these six counties to be "ozone nonattainment areas", as defined in s. 325.202(10), F.S. In 1995 and 1996, the state requested that the six counties be re-designated to "attainment status" based upon the improved air quality. The EPA approved the re-designation with the stipulation of an approval of "maintenance plans" for 10 years after the date of re-designation, as required by the Clean Air Act.

In 1997, however, the EPA amended the standards for ozone and particulate matter. The amendment provided that when a state is in compliance with the old standards for air pollution, the old standards no longer applied. The 10 year "maintenance plans" which were established in the Clean Air Act of 1990 were based on the old standards. Therefore, according to the DEP, when the EPA determines in 2000 which areas are in compliance or non-compliance with the new ozone standards, the MVIP would no longer be required in those areas which are in compliance.

According to the DEP, air monitoring data suggests that four counties, Broward, Dade, Duval, and Palm Beach, will be declared to be in compliance with the new ozone standards. Therefore, the MVIP would no longer be needed in these four counties. Hillsborough and Pinellas counties, however, are not expected, as of yet, to be in compliance with the new ozone standards and would still require the MVIP.

The EPA is expected to make its determinations regarding which counties are to be designated in "attainment status" in July 2000.

C. EFFECT OF PROPOSED CHANGES:

The bill would eliminate the MVIP in those counties which have met the air attainment standards required by the DEP.

As set forth in s. 325.2135, F.S., when an area meets "attainment status" the Department of Highway Safety and Motor Vehicles may cancel a contract with six month's notice to the contractor. Therefore, assuming the EPA makes its determination that Broward, Dade, Duval, and Palm Beach counties are in compliance with the new ozone standards in July

2000, the MVIP could be eliminated in those four counties by January 2001. The only areas that would still be subject to the MVIP would be Hillsborough and Pinellas counties.

The bill would relieve motorists in Broward, Dade, Duval, and Palm Beach counties from having to obtain a vehicle emissions test prior to initial registration and registration renewals.

D. SECTION-BY-SECTION ANALYSIS:

N/A

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

Committee on Transportation:

	<u>1999-2000</u>	<u>2000-2001</u>
1. <u>Revenues:</u>		
7% General Revenue Surcharge	\$ 1,232,000	\$ 105,000
Highway Safety Operating Trust Fund	16,368,000	1,395,000
	<hr/>	<hr/>
Total Revenue	\$17,600,000	\$ 1,500,000
2. <u>Expenditures:</u>		
Cost to Support MV Emissions Program: Highway Safety Operating Trust Fund	\$ 2,357,899	\$ 1,396,748
Costs Supporting Other Programs: Highway Safety Operating Trust Fund	\$14,010,000	\$ -1,748
	<hr/>	<hr/>
Total Expenditures	\$16,367,899	\$ 1,395,000

Committee on Environmental Protection:

*This fiscal impact analysis assumes that the EPA will adopt the new standards on or about the time this bill would pass into law, and therefore, four out of the six counties would remain in attainment, they are: Broward, Dade, Palm Beach and Duval. The other two counties, Hillsborough and Pinellas, would fall into nonattainment under the new standards. Conversely, if the new standards are not adopted, then all six counties would remain in attainment. As a result, Hillsborough and Pinellas counties would not have a MVIP,

therefore, the state would lose more revenue and save more expenditures than what is listed below.

In addition, this section takes into consideration the effects of SB 1270 which becomes law on June 30, 2000. Senate bill 1270 significantly changes the emissions program. SB 1270 establishes a biannual program; increases the inspection fee to \$19 and provides a three-model year exemption.

Although the emissions fee increase from \$10 to \$19, the price for new contracts also increase. As a result, the states revenue is estimated to decrease. The revenue that the state brings in is based on the difference between the contractor's bid price to conduct an inspection and the inspection fee charged to the public.

As a result, the revenue reduction after implementing SB 1270 is projected to be approximately: \$16.1 mil in FY 2000-01; \$16.4 mil in FY 2001-02; and \$16.5 mil in FY 2002-03. This considers the new increased contract prices.

Passage of HB 473 may result in Broward, Dade, Duval and Palm Beach counties being removed from the emissions testing areas. Elimination of these counties will reduce the state's revenue even further:

State Revenue Reductions beginning July 1, 2000:

	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>
General Revenue Fund reductions	\$ 175,000	\$ 161,000	\$ 182,000
Hwy Safety Operating TF reductions	<u>\$2,325,000</u>	<u>\$2,139,000</u>	<u>\$2,418,000</u>
Total Revenue Reduction	\$2,500,000	\$2,300,000	\$2,600,000

State Revenue Gained:

Approximately 29 employment positions may be eliminated throughout Broward, Dade, Duval and Palm Beach counties, saving the state an estimated \$1 million per year in expenditures:

	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>
Hwy Safety Operating TF:			
Salaries	\$ 952,808	\$ 952,808	\$ 952,808
Expenses	<u>\$ 58,000</u>	<u>\$ 58,000</u>	<u>\$ 58,000</u>
Total expenditures saved:	\$1,010,808	\$1,010,808	\$1,010,808

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

N/A

2. Expenditures:

Local governments in Broward, Dade, Duval, and Palm Beach counties would save on considerable costs associated with the inspection fees of the local government vehicles.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Committee on Transportation:

Direct Private Sector Costs:

The bill would result in revenue reduction from the loss of inspection fee for the MVIP contractors when the contracts are canceled by the department of approximately:

- ▶ \$11.3 million during fiscal year 2000-01; and
- ▶ \$23.1 million during fiscal year 2001-02,

These figures are based on the assumption that the provisions of the bill are implemented during January 2001.

The bill would also effect the motor vehicle repair industry. Since vehicles that fail emissions testing must make repairs for retesting, the elimination of the MVIP in the four counties would reduce the number of vehicles obtaining repairs. Assuming the provisions of the bill are implemented during January 2001, the revenue loss for the repair industry would be approximately:

- ▶ \$3-4 million during fiscal year 2000-01; and
- ▶ \$6-8 million during fiscal year 2001-02.

Direct Private Sector Benefits:

The bill would relieve motorists within the four counties of the costs of obtaining a passed vehicle emissions test prior to obtaining an initial registration or registration renewal. Assuming the provisions of the bill are implemented during January 2001, the inspection fee cost savings for motorists in Broward, Dade, Duval, and Palm Beach counties would be approximately:

- ▶ \$14.7 million during fiscal year 2000-01; and
- ▶ \$30.1 million during fiscal year 2001-02.

Committee on Environmental Protection:

Direct Private Sector Costs:

*This fiscal impact analysis assumes that the EPA will adopt the new standards on or about the time that this bill would pass into law, and therefore, four out of the six counties would remain in attainment, they are: Broward, Dade, Palm Beach and Duval. The other two counties, Hillsborough and Pinellas, would fall into nonattainment under the new standards. Conversely, if the new standards are not adopted, then all six counties would remain in attainment. As a result, Hillsborough and Pinellas counties would not have a MVIP,

therefore, the state would lose more revenue and save more expenditures than what is listed below.

Passage of HB 473 would result in lost revenue for inspection fees to MVIP contractors and lost revenue to vehicle repair industries by eliminating the program in Broward, Dade, Duval and Palm Beach counties.

Revenue Loss to MVIP contractors:

<u>FY 2000-01</u>	<u>FY 2001-02</u>
\$27.3 mil	\$25.5 mil

Revenue Loss to Vehicle Repair Industry:

<u>FY 2000-01</u>	<u>FY 2001-02</u>
\$3.2 mil - \$4.0 mil	\$6.4 mil - \$8.0 mil

Direct Private Sector Benefits:

The direct private sector benefit relieves motorists in all four counties of the responsibility to obtain and pass an emissions inspection. The inspection fee cost savings among the private sector would be approximately:

<u>FY 2000-01</u>	<u>FY 2001-02</u>
\$29.8 mil	\$27.8 mil

D. FISCAL COMMENTS:

Committee on Transportation:

The bill provides for the elimination of the MVIP in Broward, Dade, Duval, and Palm Beach counties upon the EPA determination of air quality compliance. This would result in the loss of state revenue from these four counties. The four counties, however, would benefit from the MVIP elimination by saving on costs associated with inspection fees.

If this bill becomes law, potentially the motor vehicle inspection program could be downsized or eliminated. This would cause a loss of MVIP excess revenues totaling approximately \$15 million that currently funds various department-wide programs. The department budget would require either program reductions or an alternative funding source to balance revenues and expenditures.

The figures for the fiscal impact on the state were generated based upon the implementation of Senate Bill 1270 which became law during the 1999 Legislation. Senate Bill 1270 provided for a biennial inspection, an inspection fee increase from \$10 to \$19, and a three-model year exemption. Once this law takes effect on June 30, 2000, the revenue generated by the MVIP will be reduced due to the estimated reduction in the number of vehicles being tested per year.

Committee on Environmental Protection:

The fiscal revenues and expenditures are based on the assumption that the EPA will adopt the new standards in July 2000, on or about the time this bill would pass into law. Under the new standards, Hillsborough and Pinellas counties would not be in attainment, and would still require a MVIP. Thus, the fiscal impact upon the state would come from Palm Beach, Broward, Dade and Duval counties terminating their emission programs.

However, if the EPA fails to adopt the new standards in July 2000, then all six counties would remain in attainment. Under HB 473, all six counties would no longer require an emissions program, therefore, the state revenue loss and the state expenditures saved would be greater than what is listed in the Fiscal Analysis herein which only considered four counties.

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

A. APPLICABILITY OF THE MANDATES PROVISION:

N/A

B. REDUCTION OF REVENUE RAISING AUTHORITY:

N/A

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

N/A

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

N/A

B. RULE-MAKING AUTHORITY:

Committee on Transportation:

Administrative rules are required to implement this act.

C. OTHER COMMENTS:

Committee on Transportation:

According to the DHS&MV, the elimination of the MVIP in Broward, Dade, Duval, and Palm Beach counties would reduce the number of motor vehicles subject to emissions testing by approximately:

- ▶ 776,452 during fiscal year 2000-01; and
- ▶ 1,583,962 during fiscal year 2001-02.

Committee on Environmental Protection:

According to the DHSMV as of February 8, 2000, the number of motor vehicles subject to emissions would be reduced to:

- 763,738 during fiscal year 2000-01; and
- 1,424,034 during fiscal year 2001-02.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

On March 30, 2000, the Committee on Environmental Protection passed a committee substitute to HB 819 which adopted the bill number to HB 473 and the late Representative Healey as a co-sponsor. As a result, HB 473 is laid on the table.

VII. SIGNATURES:

COMMITTEE ON TRANSPORTATION:

Prepared by:

Staff Director:

Jennifer L. Sexton-Bartelme

John R. Johnston

COMMITTEE ON ENVIRONMENTAL PROTECTION:

Prepared by:

Staff Director:

Christine Hoke, J.D.

Wayne Kiger