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FISCAL IMPACT STATEMENT

LS 6562

BILL NUMBER: HB 1439

NOTE PREPARED: Mar 4, 2003

BILL AMENDED: Feb 27, 2003

SUBJECT: Termination of emissions testing program.

FIRST AUTHOR: Rep. Bottorff

FIRST SPONSOR: Sen. Gard

BILL STATUS: As Passed - House

FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill prohibits the Air Pollution Control Board from adopting rules to require motor vehicle emissions testing in Clark and Floyd counties after December 31, 2006. The bill voids the current rule that requires such testing after December 31, 2006. It permits the Budget Agency, after review by the Budget Committee, to approve such testing if necessary to avoid a loss of federal highway funding.

Effective Date: July 1, 2003.

Explanation of State Expenditures: (Revised) This bill prohibits the Air Pollution Control Board from adopting rules to require motor vehicle emissions testing in Clark and Floyd counties after December 31, 2006. IDEM currently has a ten-year contract, which expires in December 2006, with Envirotest to conduct the tests. There is no fee assessed to vehicle owners for the test. The contractor has estimated that closing these two stations would save IDEM approximately \$980,000 per year.

The state would not be liable for any costs incurred by Envirotest to cease operations. Because the contract ends in the middle of FY 2007, the state would experience a reduction in expenditures of approximately \$490,000 during the first fiscal year that the program ceases operations. Every year thereafter the state would reduce expenditures by approximately \$980,000. However, the elimination of the auto emissions testing program could result in the state having to expend more on other air pollution control measures to avoid failure to comply with federal clean air standards.

Background Information. The Auto Emission Testing Program expended \$6.9 M in FY 2002. Of this total \$257,192 was for personal services and over \$6.6 M was for grants, distributions and subsidies. The program

received \$1.5 M in federal funding in FY 2001 and \$300,000 in FY 2002. Federal funding is not expected for this program for the upcoming biennium.

IDEM requested \$7.9 M per year for the Auto Emissions Program for the 2003-2005 biennium. Nine testing sites exist: seven in the northern part of the state; one in Clark County; and one in Floyd County. The two sites in the southern part of the state test 50,000 vehicles per year. Sites in the northern part of the state test 150,000 vehicles per year.

Four IDEM staff members are funded with the program budget at a requested \$171,990 per year, or about \$43,000 per employee per year, for the 2003-2005 biennium.

The federal Clean Air Act mandated that Indiana implement measures, such as the vehicle emission testing program, to control ozone in Lake, Porter, Clark, and Floyd Counties. The program intends to help reduce emissions of mobile sources of volatile organic compounds, nitrogen oxides, and carbon monoxide, which form ozone. Currently, cars are tested once every two years. The four newest model years are exempt from testing.

Explanation of State Revenues: (Revised) The elimination of the auto emissions testing program could result in an indirect impact on state revenues beginning in 2007. Discontinuation of the program could result in the imposition of federal sanctions for failure to comply with clean air standards and the withholding of federal highway funds for expansion projects. (The state receives over \$700 M in federal highway dollars.) The federal government has taken action in Montana and Missouri for failure to comply. Montana lost some highway dollars but Missouri did not. However, the proposal provides that the Budget Agency, after review by the Budget Committee, could approve such testing if necessary to avoid a loss of federal highway funding.

Explanation of Local Expenditures:

Explanation of Local Revenues: (Revised) Clark and Floyd Counties would no longer be eligible to receive grants for auto emission testing after December 31, 2006.

State Agencies Affected: IDEM.

Local Agencies Affected: Clark and Floyd Counties.

Information Sources: IDEM budget request for the 2003-2005 biennium; IDEM presentation to the Environmental Quality Service Council, September 12, 2002; INDOT testimony to the House Environmental Affairs Committee.

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