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**FISCAL IMPACT STATEMENT**

**LS 6562**

**BILL NUMBER:** HB 1439

**NOTE PREPARED:** Apr 11, 2003

**BILL AMENDED:** Apr 10, 2003

**SUBJECT:** Termination of emissions testing program.

**FIRST AUTHOR:** Rep. Bottorff

**FIRST SPONSOR:** Sen. Gard

**BILL STATUS:** 2<sup>nd</sup> Reading - 2<sup>nd</sup> House

**FUNDS AFFECTED:**  **GENERAL**  
 **DEDICATED**  
 **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) This bill defines emission data for purposes of Department of Environmental Management information disclosure requirements and the periodic vehicle inspection program. The bill permits the Air Pollution Control Board (APCB) to adopt rules effective after December 31, 2006, to eliminate the requirement that motor vehicles undergo periodic inspection. It permits the county executive, after consideration of alternatives, to approve the elimination by resolution, and requires the APCB to consider the resolution in its determination whether to eliminate inspections. The bill permits the APCB to consider emission data in making the determination. The bill voids the current rule to the extent that it requires inspections.

**Effective Date:** (Amended) January 1, 2003 (retroactive); July 1, 2003.

**Explanation of State Expenditures:** (Revised) This bill permits the Air Pollution Control Board to adopt rules effective after December 31, 2006, to eliminate the auto emissions testing program in certain counties and under certain conditions. If the program were eliminated in all counties, the state could reduce expenditures by approximately \$6.9 M per year. However, the elimination of the auto emissions testing program could result in indirect expenses to the state in that the state may have to expend more on other air pollution control measures to avoid failure to comply with federal clean air standards. In Lake and Porter Counties, air quality currently violates the federal one-hour ozone standard.

*Background Information.* 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.

Indiana began its auto emission testing program in 1984. IVTC operated the program which consisted basically of a tail pipe test.

However, the federal Clean Air Act Amendments of 1990 required more effective and accurate testing for Lake and Porter Counties. The new testing required the construction of testing stations and new equipment that would test cars on a dynamometer, a device that operates something like a treadmill and simulates actual driving conditions in a way that the tail pipe test cannot. Because of the new requirements, the contract was put out for bid. IVTC did not bid on the project. The predecessor of Envirotest, called Systems Control, bid on the entire project. One other company bid on a small portion of the project.

New stations were built and new equipment was purchased by the new operators. The program is currently operated by Environmental Systems Products, Inc., which is headquartered in East Granby, CT. This company has an Indiana subsidiary called Envirotest Systems. IDEM currently has a ten-year contract with Envirotest to conduct the tests. The contract expires in December 31, 2006. There is no fee assessed vehicle owners for the test.

Nine testing sites exist: seven in the northern part of the state; one in Clark County; and one in Floyd County. Cars are tested once every two years. The four newest model years are exempt from testing. The two sites in the southern part of the state test over 50,000 vehicles per year. Sites in the northern part of the state test over 150,000 vehicles per year. During the two-year period from 2001-2002, Envirotest conducted initial tests of 419,599 vehicles. The cost of the program was \$15,931,203 for the biennium. (Given these figures, the cost per vehicle per initial test equaled \$37.97, or \$38. Applying this figure, a fee of \$38 would be needed every two years to cover expenses.)

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 vast bulk was for the Envirotest contract. IDEM also has a contract with an entity who provides expert mechanic advice. The program received \$1.5 M in federal funding in FY 2001 and \$300,000 in FY 2002, the last federal funding that was available for start up activities at the test sites. Federal funding is not expected for this program for the upcoming biennium because it is no longer eligible. IDEM has requested \$7.9 M per year for the Auto Emissions Program for the 2003-2005 biennium.

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 employees oversee operations, with regular visits to the test sites, respond to motorist inquiries, manage the mechanic certification program (which includes putting on training programs and reviewing requests for certification and re-certification). They also work with the contractor on technical and management issues.

**Explanation of State Revenues:** (Revised) 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 throughout the state. The federal government has initiated sanctions in California, Maine, Montana, and Missouri. Montana has lost the ability to spend some federal highway dollars. In Indiana, a highway expansion project from I65 to the Illinois border is currently planned which will use approximately \$220 M in federal highway funding. In total, the state receives over \$700 M in federal highway dollars.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** IDEM.

**Local Agencies Affected:** Porter, Lake, 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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