

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based only on the provisions contained in the legislation as of the latest date listed below.)

BILL: SB 1004

SPONSOR: Committee on Transportation

SUBJECT: Motor Vehicle Emissions

DATE: February 23, 1999 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Caridi/Vickers</u>	<u>Meyer</u>	<u>TR</u>	<u>Favorable</u>
2.	_____	_____	<u>FP</u>	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

I. Summary:

In Florida, motor vehicles registered in Broward, Dade, Duval, Hillsborough, Pinellas, and Palm Beach counties are required to undergo annual emissions inspections.

This bill directs the Department of Highway Safety and Motor Vehicles (DHSMV) to issue a request for proposal and enter into one or more contracts on or before May 1, 2000, for a motor vehicle inspection program in which vehicles 4 model years and older would be inspected every 2 years for hydrocarbon and carbon monoxide emissions. The bill stipulates the average driving distance to inspection stations must be no more than 6 miles for at least 90 percent of the affected registered motor vehicle owners in the designated program areas. The inspection fee is capped at \$20 per inspection.

This bill also provides that motor vehicle inspection contracts entered into under this bill may not exceed 5 years. Any contract authorized under this section must provide that DHSMV reserves the right to cancel a contract at any time before the conclusion of the contract term upon 6 months notice to the contractor. The requirements of the program included in the request for proposals must be based on the requirements contained in chapter 325, F.S., except where those requirements are in conflict with the provisions of this bill.

The three model year exemption and biennial testing requirements will significantly reduce the number of vehicles subject to emissions inspection, and will save motor vehicle operators in the six impacted counties time and expense. The reduction in the number of vehicles subject to inspection will also significantly reduce program revenue for DHSMV and the motor vehicle inspection program contractors. Air quality is predicted to be nominally affected by the exemption of newer model year vehicles and biennial testing.

This bill substantially amends sections 325.2135 and 325.214, Florida Statutes, 1998 Supplement.

II. 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 Department of Highway Safety and Motor Vehicles currently administers motor vehicle inspections in six Florida counties - Broward, Dade, Duval, Hillsborough, Pinellas, and Palm Beach. The purpose of the Motor Vehicle Inspection Program (MVIP) is to improve air quality in the counties designated by the Environmental Protection Agency (EPA) in 1987 as ozone nonattainment areas. This is accomplished by ensuring, through emissions inspections, most motor vehicles registered in the impacted counties are properly maintained. Vehicles not passing emissions inspections must be repaired, or receive a waiver or exemption, in order to have their registration renewed.

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 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.

The MVIP consists of a network of "test-only" inspection stations. These facilities are operated by three private contractors under contract with the state. The current MVIP contracts expire in March and April of 2000. Pursuant to existing program contracts, revenues are shared between the state and the MVIP contractors. The inspection fee is set by DHSMV and cannot exceed \$10. Currently, DHSMV'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. In fiscal year 1997-98, 4.9 million vehicles were inspected, generating \$16.8 million in revenue for DHSMV. This revenue is deposited into the Highway Safety Operating Trust Fund and is used to support a number of DHSMV programs.

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, the vehicles do not significantly contribute to air pollution. Recognizing 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 2 years from the date of purchase. However, the 2 year exemption is not effective until May 1, 2000.

Section 325.207, F.S., provides that MVIP contracts must provide DHSMV the option, upon termination of the contract term or upon assumption of the operation of the program due to contractor default, to have transferred or assigned to it, for reasonable compensation, any interest in land, buildings, improvements, services, and equipment used by the contractor in the operation of an inspection station. Similarly, DHSMV, upon termination of the contract term or upon assumption of the operation of the program, has the option to have transferred and assigned to it,

for reasonable compensation, any contract rights and related obligations for land, buildings, improvements, and equipment used by the contractor in the operation of the inspection station. Finally, contracts must contain a procedure for determining the damages payable by DHSMV to the contractor if the Legislature abolishes the inspection program at any time prior to the conclusion of the contract term. This provision must specify payment of such compensation to the contractor is subject to appropriation of funds for this purpose by the Legislature and that DHSMV agrees in good faith to request the Legislature to appropriate the funds to pay such reasonable compensation. The damages recoverable by the contractor if the Legislature abolishes the program are limited to the funds appropriated by the Legislature.

III. Effect of Proposed Changes:

This bill directs DHSMV to issue a request for proposal and enter into one or more contracts on or before May 1, 2000, for a motor vehicle inspection program in which vehicles 4 model years and older would be inspected every 2 years for hydrocarbon and carbon monoxide emissions. The bill stipulates that the average driving distance to inspection stations must be no more than 6 miles for at least 90 percent of the affected registered motor vehicle owners in the designated program areas. No contract entered into may be for longer than 5 years and any contract authorized must provide DHSMV the right to terminate a contract at any time before the conclusion of the contract term upon 6 months notice to the contractor. The inspection fee is capped at \$20.

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 March and April of 2000, (when the current contracts expire) the state should have time to react to potential negative feedback from the EPA.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

The bill increases the maximum inspection fee from \$10 to \$20. However, due to the fact the bill provides for biennial inspections rather than annual inspections, the annualized test fee would not increase.

B. Private Sector Impact:

The bill would reduce revenue to the MVIP contractors by approximately 4 percent during fiscal year 1999-00 (\$1,379,664) and 28 percent during fiscal year 2000-01(\$8,438,609) and fiscal year 2001-02 (\$8,607,381). These estimates assume the inspection fee is increased to \$20.

The DHSMV reported that the incumbent MVIP contractors may be favored by the May 2000 effective date. New contracts would likely be signed no sooner than September 1999, leaving a MVIP contractor eight months to become operational in accordance with federal and state law. For a new contractor, eight months may not be enough time to establish test sites within six miles of 90 percent of the affected population, receive building and construction permits and properly test equipment .

C. Government Sector Impact:

According to DHSMV, the bill would reduce state revenue by approximately 4 percent during fiscal year 1999-00 and by approximately 28 percent during fiscal years 2000-01 and 2001-02. The revenue loss is a result of the three year model exemption (19.3 percent of the vehicle population within the affected counties) and the reduction in inspections associated with converting from an annual to a biennial inspection program. These estimates assume the inspection fee is increased to \$20.

Revenue	FY 1999-00	FY 2000-01	FY 2001-02
General Revenue	(\$50,862)	(\$310,874)	(\$317,092)
Highway Safety Operating TF	(\$675,261)	(\$4,130,183)	(\$4,212,786)
Total	(\$726,123)	(\$4,441,057)	(\$4,529,878)

In addition, DHSMV estimates it will incur \$10,000 in computer programming expenses as a result of the bill.

VI. Technical Deficiencies:

None.

VII. Related Issues:

While state law caps the inspection fee at \$10 dollars, there is a lawsuit pending over the share of the fee DHSMV receives. Currently, DHSMV's share is the difference between the contractors share and the \$10 cap and ranges from \$1.50 to \$4.10 in the various program areas. The suit alleges this money, from registered motorists in the affected six counties, is an unconstitutional tax when used in unrelated state-wide programs.

VIII. Amendments:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
