



Legislative
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SB 20-036

REVISED FISCAL NOTE

(replaces fiscal note dated January 21, 2020)

Drafting Number: LLS 20-0668
Prime Sponsors: Sen. Zenzinger; Cooke
Rep. Hansen; Liston

Date: February 24, 2020
Bill Status: House Energy & Environment
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Bill Topic: **EMISSIONS INSPECTION CHECK ENGINE LIGHT**

**Summary of
Fiscal Impact:**

- | | |
|---|--|
| <input type="checkbox"/> State Revenue | <input type="checkbox"/> TABOR Refund |
| <input checked="" type="checkbox"/> State Expenditure | <input type="checkbox"/> Local Government |
| <input type="checkbox"/> State Transfer | <input type="checkbox"/> Statutory Public Entity |

The bill directs the Air Quality Control Commission within the Department of Public Health and Environment to submit a revised state implementation plan to the Environment Protection Agency for approval. The revised plan would replace on-board diagnostic testing with a tailpipe emissions test. The bill will increase workload in the Department of Public Health and Environment in FY 2020-21.

**Appropriation
Summary:** No appropriation is required.

**Fiscal Note
Status:** The fiscal note reflects the reengrossed bill.

Summary of Legislation

Under current law, a vehicle will fail its emissions test if the check engine light is illuminated. The bill directs the Air Quality Control Commission within the Colorado Department of Public Health and Environment (CDPHE) to submit a revised state implementation plan (SIP) to the Environment Protection Agency (EPA) for approval. The revised SIP would replace current onboard emissions testing based on the check engine list with an IM240 tailpipe emissions test. If the EPA rejects the revised SIP, this legislation will be repealed.

Before submitting the proposed SIP revision to the Air Quality Control Commission, CDPHE must allow for written comments and hold a stakeholder meeting to solicit input on the proposed plan. CDPHE must then submit the proposed SIP revision to the Air Quality Control Commission by September 31, 2020. The Air Quality Control Commission shall then adopt the proposal by December 31, 2020, and CDPHE shall submit the proposal to the Environment Protection Agency by May 5, 2021.

Background and Assumptions

The Air Pollution Control Division in CDPHE administers the Automobile Inspection and Readjustment (AIR) Program, and uses a contractor to test vehicle emissions in Colorado. The contractor receives a \$25 test fee and the state receives \$0.25 from each emissions test, which is credited to the AIR Account Cash Fund. New vehicles are exempt from emissions testing for

seven years, inspected in the eighth year, and then every two years thereafter. Motor vehicle owners living in the emissions program area must have a certification of emissions compliance in order to register their vehicles.

Inspections between the 8th and 11th vehicle year utilize on-board diagnostics (OBD) testing, which reads trouble codes in the vehicle's computer system in order to detect emissions-related problems. A vehicle will fail the OBD test if the check engine light is illuminated or not functioning. On average, 6.5 percent of vehicles fail the OBD test. Because OBD testing fails more vehicles, OBD testing results in increased emissions reductions. After vehicle year 11, the traditional vehicle tailpipe test is used.

The fiscal note assumes that the revised SIP, as described in the bill, will result in a loss of emissions reductions benefits. To ensure compliance with the federal Clean Air Act, the SIP may require additional revisions to reduce emissions, such as a resumption of emission testing vehicles years 4 through 7. This fiscal note calculates the direct costs of the bill; any potential costs conditional on EPA's decision regarding the SIP are not included.

State Revenue

Conditional on a full transition to IM240 tailpipe testing, wait times will likely increase for consumers as the OBD test is approximately five to ten minutes faster to complete than the IM240 test. Longer wait times will likely result in increased wait time violations and fines for the testing station contractor, which may result in increased cash fund revenue to the Department of Revenue. As discussed above, the fiscal note has not included these potential revenues as they are conditional on EPA's decision.

State Expenditures

The bill will directly increase workload in CDPHE in FY 2020-21 only and, conditional on the EPA's decision, expenditures may increase in the Department of Revenue starting in FY 2020-21.

Department of Public Health and Environment. In FY 2020-21 only, the bill will increase workload in the CDPHE to perform rulemaking to comply with the bill. In addition, CDPHE will need to submit a technical demonstration to the EPA showing that the change will not result in emissions backsliding, and oversee changes in testing software for the testing contractor. The fiscal note assumes these workload increases can be accomplished within existing appropriations. If additional staff and legal services hours are determined to be required to comply with federal law, these will be requested through the annual budget process.

Department of Revenue. Conditional on EPA's decision regarding the revised SIP, expenditures may increase further in the Department of Revenue to support contractor and customer inquiries regarding the change in emissions testing. The Department of Revenue would require an additional 1.0 FTE administrative assistant to accomplish this increased workload. As discussed above, the fiscal note has not included these conditional costs.

Effective Date

The bill takes effect August 5, 2020, if the General Assembly adjourns on May 6, 2020, as scheduled, and no referendum petition is filed.

State and Local Government Contacts

Colorado Energy Office
Personnel

Information Technology
Public Health and Environment

Law
Revenue