

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3846-01  
Bill No.: SB 743  
Subject: Air Quality; Environmental Protection; Federal - State Relations; Motor Vehicles;  
 Department of Natural Resources; Transportation  
Type: Original  
Date: February 25, 2020

Bill Summary: This proposal exempts St. Charles County from motor vehicle emissions inspection requirements.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
General Revenue	(\$31,088)	\$0	\$0
<b>Total Estimated Net Effect on General Revenue</b>	<b>(\$31,088)</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Missouri Air Emission Inspection Fund (0267)	(\$236,097)	(\$300,344)	(\$299,045)
<b>Total Estimated Net Effect on Other State Funds</b>	<b>(\$236,097)</b>	<b>(\$300,344)</b>	<b>(\$299,045)</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 8 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
Federal Highway Funds	\$0	\$0 or (Up to \$26,000,000)	\$0 or (Up to \$52,000,000)
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0 or (Up to \$26,000,000)</b>	<b>\$0 or (Up to \$52,000,000)</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
Missouri Air Emission Inspection Fund (0267)	(2 FTE)	(2 FTE)	(2 FTE)
<b>Total Estimated Net Effect on FTE</b>	<b>(2 FTE)</b>	<b>(2 FTE)</b>	<b>(2 FTE)</b>

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Department of Natural Resources (DNR)** assume the following regarding this proposal:

The emissions inspection program is a federally-mandated program under the federally approved State Implementation Plan (SIP) for the current and historical St. Louis Ozone non-attainment area as found in 40 CFR Part 52. If requirements of the program are non-fulfilled, the Department risks losing the authority to implement and enforce federal regulations under the Clean Air Act (CAA) and/or sanctions for failing to meet federal SIP requirements.

If the emissions/inspection program is removed in whole or in part without the state following the required rule and SIP process, the Environmental Protection Agency (EPA) may implement one of the sanctions below as selected by the Administrator within 18 months. If the deficiency has not been corrected within six months, both types of sanctions shall apply.

1. Increased New Source Review Permitting offset ratio (affects air permittees in the area, making a permit harder to obtain.)
2. Federal Highway dollar sanctions.

Per CAA 179, these sanctions may only apply to the St. Louis area or may apply to any area of the state if EPA determines it is reasonable and appropriate.

The proposed legislation would result in lost revenue for our agency and potential loss of federal funding for Missouri. If the Department fails to fulfill the requirements of the SIP, it could impact our delegation under the federal Clean Air Act. If EPA finds us deficient in meeting our obligations under SIP, EPA could withdraw our delegation. In this event, sources would be required to obtain Clean Air Act permits from EPA and EPA would be the compliance/enforcement authority for Clean Air Act requirements. The Department would have authority for only the Missouri Air Conservation Law (Chapter 643 RSMo.) causing confusion and duplication of authority.

Moreover, if the state does not enforce the Gateway Vehicle Inspection Program (GVIP), it could still be enforced by EPA as part of the federally approved SIP for Missouri. Additionally, if a source is knowingly in violation of an approved implementation plan during a period of federally assumed enforcement, the source may be subject to criminal penalties, 42 USC section 7413(c)(1), as well as civil or administrative enforcement, 42 USC section 7413(b).

ASSUMPTION (continued)

The CAA allows the court to award a "bounty" of up to \$10,000 penalty to an individual which leads to a criminal, civil, or administrative penalty, 42 USC section 7413(f).

Revenue Loss Assumption:

Fund 0267 Revenue for air Emissions Reduction Fees (St. Charles County Inspections)

CY 2014 \$421,695

CY 2016 \$456,052

CY 2018 \$462,030

(Fees redirected to General Revenue in fiscal years 2015, 2017)

3 year average Air Emissions Reduction Fee Revenue **\$446,593**

Average number of vehicles inspected  $\$446,593/\$2.50 = 178,637$  vehicles

The Air Emissions Reduction fees fund various emissions activities required by the federal Clean Air Act. The GVIP has been a component of the plan to bring the St. Louis area into attainment. The St. Louis area plan includes more stringent air quality regulations and permitting measures than other areas of the state due to historical air quality issues. These requirements include gasoline vapor recovery, emissions inspection (GVIP), and stricter industrial regulations. The removal of the inspection maintenance program does not affect other current air quality requirements, though EPA would require additional efforts by existing staff to demonstrate the impact of the program's removal on the current and future air quality to avoid potential sanctions.

Elimination of the GVIP in St. Charles County would likely result in the loss of approximately 2 Air Pollution Control Program staff located in St. Louis. The other staff (approximately 3 FTE) that conduct the remaining emissions activities and oversight for St. Charles County would need to be shifted from fund 0267 appropriations to other Department fee funds and eligible federal grants. Currently, there is not sufficient funding available from these fund sources to sustain these emissions activities on an on-going basis.

**Oversight** does not have any information to the contrary in regards to DNR's assumptions; therefore, Oversight will reflect DNR's loss of revenue due to no longer completing emissions testing on vehicles in St. Charles County and the savings associated with the elimination of 2 FTE on the fiscal note.

ASSUMPTION (continued)

**Oversight** notes there was a \$2,399,065 balance in the Missouri Air Emission Inspection Fund (0267) as of January 31, 2020.

Officials at the **Department of Revenue (DOR)** assume the following regarding this proposal:

Administrative Impact

As the Department will no longer verify an emissions inspection for vehicle owner's residing in St. Charles County, various department systems and procedures will need modifications to exclude the requirement of an emissions inspection for St Charles County.

FY 2021 - Motor Vehicle Bureau (MVB)

Administrative Analyst I	20 hrs.	@ \$14.70 per hr.	= \$ 294
Management Analysis Spec I	210 hrs.	@ \$18.42 per hr.	= \$3,868
Management Analysis Spec II	53 hrs.	@ \$20.57 per hr.	= \$1,090
Revenue Manager	9 hrs.	@ \$20.59 per hr.	= \$ 185
Total			<u>\$5,437</u>

FY 2021 - Strategy and Communications Bureau

Administrative Analyst II	4 hrs.	@ \$18.75 per hr.	= \$ 75
Management Analysis Spec I	13 hrs.	@ \$18.42 per hr.	= \$ 239
Total			<u>\$ 314</u>

**Oversight** assumes DOR will use existing staff and will not hire additional FTE to conduct these activities; therefore, Oversight will not reflect the administrative costs DOR has indicated on the fiscal note.

**DOR** notes OA-ITSD services will be required at a cost of **\$31,088** in FY 2021 (327.24 hours x \$95 per hour).

**Oversight** does not have any information to the contrary in regards to DOR's assumptions; therefore, Oversight will reflect DOR's OA-ITSD costs on the fiscal note.

Revenue Impact

**DOR** notes the emissions program is mandated by the EPA in certain areas of Missouri currently, and failing to require an emissions inspection in those specified counties could result in a loss of federal highway dollars.

ASSUMPTION (continued)

1st year of non-compliance could result in a 5% reduction in federal highway dollars (\$26 million) and a 10% reduction every year after (\$52 million).

**Oversight** will range the fiscal impact of the potential loss of federal highway funds from \$0 (Missouri found to be compliant with federal regulations) to a loss of up to \$26 million in FY 2022 (first year Missouri found to be noncompliant with federal regulations) and a loss of up to \$52 million in FY 2023 (second year Missouri found to be noncompliant with federal regulations).

Officials from the **Department of Transportation** defer to DNR for the fiscal impact of this proposal.

Officials from the **Department of Public Safety - Missouri Highway Patrol** and **Department of Elementary and Secondary Education** each assume the proposal will have no fiscal impact on their respective organizations.

**Oversight** notes that the agencies mentioned above have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for these agencies.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
<b>GENERAL REVENUE FUND</b>			
<u>Cost - DOR - OA-ITSD services</u>	<u>(\$31,088)</u>	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND</b>	<b><u>(\$31,088)</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2021 (10 Mo.)	FY 2022	FY 2023
<b>MISSOURI AIR EMISSION INSPECTION FUND</b>			
<u>Savings</u> - DNR - loss of 2 FTE due to no longer requiring emissions inspections in St. Charles County	\$136,064	\$146,249	\$147,548
Total FTE Change - DNR	(2 FTE)	(2 FTE)	(2 FTE)
<u>Loss</u> - DNR - lost revenue due to no longer requiring emissions inspections in St. Charles County	<u>(\$372,161)</u>	<u>(\$446,593)</u>	<u>(\$446,593)</u>
<b>ESTIMATED NET EFFECT ON THE MISSOURI AIR EMISSION INSPECTION FUND</b>	<b><u>(\$236,097)</u></b>	<b><u>(\$300,344)</u></b>	<b><u>(\$299,045)</u></b>
Estimated Net FTE Change on the Missouri Air Emission Inspection Fund	(2 FTE)	(2 FTE)	(2 FTE)
<b>FEDERAL HIGHWAY FUNDS</b>			
<u>Loss</u> - potential loss of federal highway funds if Missouri is found to be noncompliant	<u>\$0</u>	<u>\$0 or (Up to \$26,000,000)</u>	<u>\$0 or (Up to \$52,000,000)</u>
<b>ESTIMATED NET EFFECT ON FEDERAL HIGHWAY FUNDS</b>	<b><u>\$0</u></b>	<b><u>\$0 or (Up to \$26,000,000)</u></b>	<b><u>\$0 or (Up to \$52,000,000)</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal could impact small businesses in St. Charles County. Inspection stations would lose revenue, and small businesses that have vehicles would not have to pay for emission inspections.

FISCAL DESCRIPTION

This act exempts St. Charles County from the motor vehicle emissions inspection program established by the Air Conservation Commission.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Natural Resources  
Department of Revenue  
Department of Transportation  
Department of Public Safety - Missouri Highway Patrol  
Department of Elementary and Secondary Education



Julie Morff  
Director  
February 25, 2020



Ross Strope  
Assistant Director  
February 25, 2020